



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>



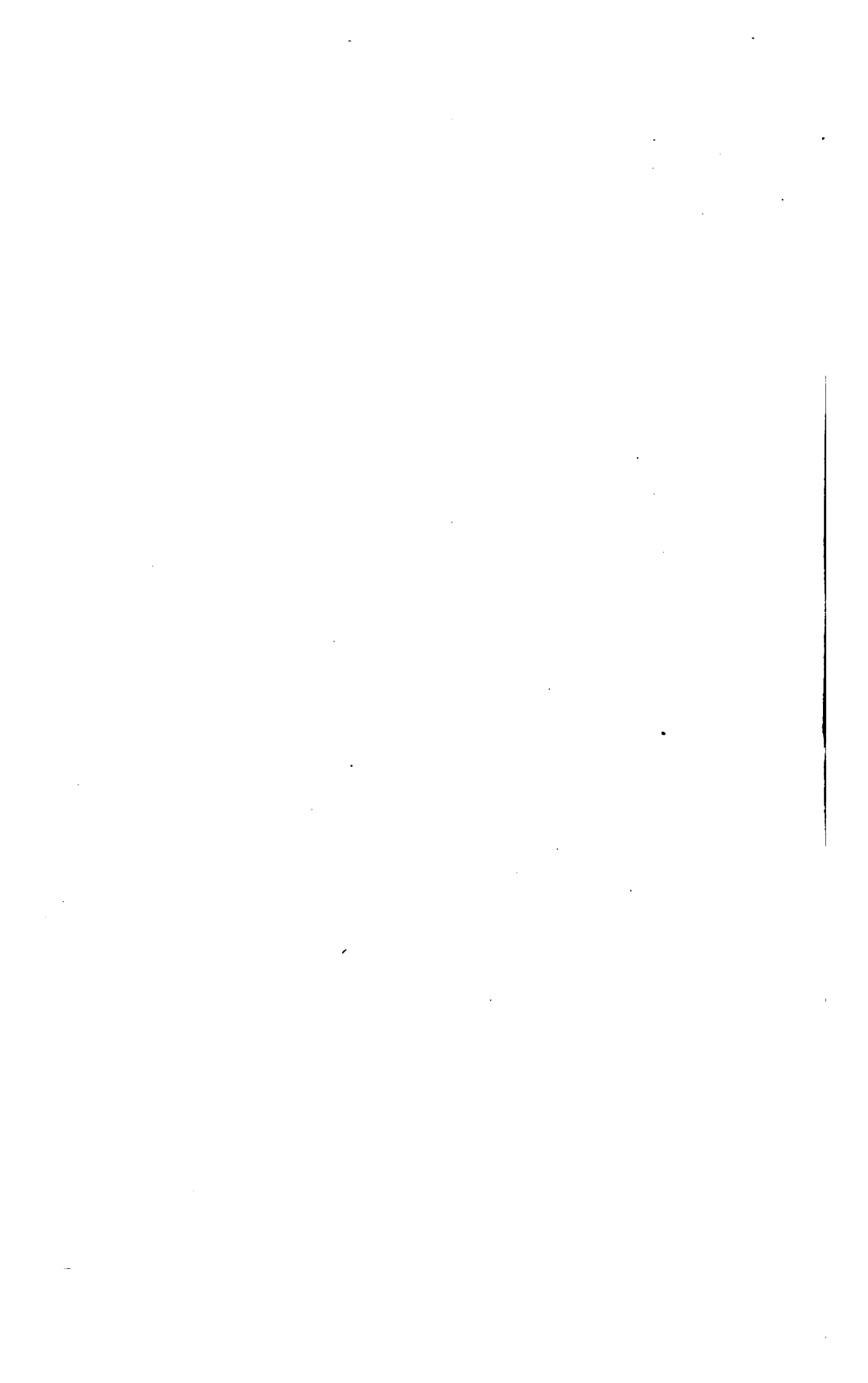
Class HD 9130

Book .U4A4

1904 4







HD 9130
18
U4A4
1904a

2

28

60TH CONGRESS }
1st Session }

SENATE

{ DOCUMENT
No. 390

HEARINGS ON THE RELIEF OF TOBACCO GROWERS

684
145

BEFORE A SUBCOMMITTEE
ON INTERNAL REVENUE OF
THE COMMITTEE ON WAYS
AND MEANS, HOUSE OF
REPRESENTATIVES, 58TH
CONGRESS, 2D SESSION,
FEBRUARY 4 AND 25, 1904

10

MARCH 16, 1908.—Presented by Mr. PAYNTER and ordered to be printed

WASHINGTON
GOVERNMENT PRINTING OFFICE

1908

8-35308

HD 9130
.8
24 Aug
1904a

APR 13 1963
D. of D.

21

8 923 1537

RELIEF OF TOBACCO GROWERS.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Thursday, February 4, 1904.

The Subcommittee on Internal Revenue (No. 3) this day met at 10.30 o'clock a. m., Hon. John Dalzell in the chair.

Members present: The chairman, Messrs. Tawney, Metcalf, and Hill.

The CHAIRMAN. The committee will be in order.

The purpose of the committee meeting this morning is to consider a bill (H. R. 4482) introduced by Mr. Gaines, entitled "A bill for the relief of tobacco growers." (See p. 65.)

We are ready to hear any gentlemen who are prepared to address the committee.

Mr. D. H. SMITH. Mr. Gaines will be here in a few moments, and as he is the author of the bill we would prefer that he should open the statements.

The CHAIRMAN. Very well. We will wait a few minutes for him.

Mr. D. H. SMITH. He does not seem to be around here just at present.

The CHAIRMAN. (After an interval of a few minutes.) Mr. Smith, I think we shall have to insist on proceeding with the hearing. I suppose Mr. Gaines will be here a little later.

Mr. D. H. SMITH. Well, sir, of course this is a bill introduced by Mr. Gaines, of Tennessee, but it perhaps affects the people of southern Kentucky, the section from which I come, as vitally and as extensively as it does the people of any section in the Union. It is a large tobacco-growing territory, and while I do not like to appear in the rôle of leading the fighting for some other gentleman's bill, I am very warmly for this bill, and expect to do all that I can to secure its favorable report and passage.

The CHAIRMAN. Mr. Gaines will, of course, be heard.

Mr. D. H. SMITH. I understand, but I would rather that he should have been here to take charge of the management of the matter before the subcommittee. As he is not here, however, I will introduce the gentlemen who are here from Kentucky to be heard on the measure.

As I understand the proposition, it is simply to permit any person to deal in leaf tobacco free of any tax or license and allow tobacco growers to hand stem or hand twist their own growth free of any tax or license, so that it is not adulterated, and to put it up in hand twist—the gentlemen of the committee have some samples of it here in that form—to strip it, to twist it, as long as it is not adulterated; in other words, to have the privilege and the authority to thus handle it without paying a tax upon it.

Mr. TAWNEY. I am informed that Mr. Gaines was very ill last night. Probably that is the reason that he is not here.

Mr. D. H. SMITH. He was here a few moments ago, but he has stepped out.

Mr. HILL. He was in the committee room just a few moments ago.

Mr. TAWNEY. Oh, I did not know that he had been here.

Mr. D. H. SMITH. Yes; he was here a short time ago.

I will not undertake to be heard by the committee this morning myself, but probably I shall ask to be heard before we finish with the subject. There are some gentlemen here from Kentucky who desire to be heard in regard to the matter. Gentlemen, have you arranged among yourselves as to the order in which you shall talk to the committee?

Mr. BARKER. There has been no order agreed upon that I know of. We came expecting Mr. Gaines to conduct the hearing.

Mr. D. H. SMITH. Suppose you present your views now to the committee, Mr. Barker, and tell them what you want.

STATEMENT OF CHARLES E. BARKER, OF KENTUCKY.

Mr. BARKER. I hardly know what to say to you about this. I am a planter, president of the farmers' club at Pembroke, in what is known as the Clarksville tobacco district, and a producer of export tobaccos and tobaccos of different types.

The tobacco that we produce is a dark, rich tobacco, and a few years ago we had a good market there, a good trade, and a good deal of competition. We could put out tobacco on the open market, with an auctioneer to sell it, and we would have 15 or 20 men bidding on it. The conditions have come about now so that we have only one man to make a price on it, and he refuses to go into the market at all.

The CHAIRMAN. You say that you have only one buyer?

Mr. BARKER. Yes, sir.

The CHAIRMAN. How does that come about?

Mr. BARKER. I can not explain that to you.

Mr. JAMES. Is not that due to the fact that the trust has combined and controlled the market on tobacco, and therefore there is just one purchaser?

Mr. BARKER. Yes. The whole region has been cut up into districts like magisterial or constabulary districts, and the agents of each go around the districts and pick out just such as they want, and we have to take what they offer or leave it alone. We formerly put the tobaccos on the open market, where the auctioneer put them up for sale; but these men will not go there.

(Here Mr. Gaines entered committee room.)

Mr. METCALF. What sort of tobacco do you grow?

Mr. BARKER. We grow this dark tobacco, export tobacco I believe it is known as.

Mr. METCALF. Is it smoking or chewing tobacco?

Mr. BARKER. Well, we think down there that it is pretty good for both. [Laughter.]

Mr. GAINES. It is mostly exported, is it not?

Mr. BARKER. Yes, sir. I brought some samples which have been placed on the table before the committee. I can not tell you exactly what it is, but I can show you. [The various samples of tobacco were shown to the members of the committee.]

Mr. D. H. SMITH. That is chewing tobacco [indicating] and that is smoking tobacco [indicating].

Mr. BARKER. The chairman has in his hand now the tobacco in the only shape in which we now are permitted to sell it.

The CHAIRMAN. This tobacco [indicating twist] and this [indicating flat piece] are the products of this other [leaf]? [Indicating.]

Mr. BARKER. Yes, sir; that has been put in order and twisted in that form.

Mr. METCALF. This is a twist, or plug?

Mr. BARKER. Yes, sir; and that that the other gentleman has there is simply crumpled while it is dry. It is all of the same form.

The CHAIRMAN. I want to ask you, are you familiar with this bill (H. R. 4482) which has been introduced by Mr. Gaines?

Mr. BARKER. I do not know that I am, Mr. Chairman.

The CHAIRMAN. It is here, and I wish you would read it and tell me how that bill will cure the evil of which you have just been complaining, the monopoly of the market [handing the bill referred to to Mr. Barker].

Mr. D. H. SMITH. Mr. Chairman, it might be well for Mr. Gaines to explain his bill. These gentlemen are farming people, and practical men—Mr. Barker is a practical tobacco grower, and I suppose, perhaps, he has not seen Mr. Gaines's bill before. Therefore it might be better to have Mr. Gaines explain his bill.

The CHAIRMAN. What the committee wants to get is information. It does not make any difference where it comes from.

Mr. GAINES. There are five bills which have been introduced. (See p. 65.) Is he familiar with any of the other bills?

The CHAIRMAN. They are all there together.

Mr. GAINES. Which one are you familiar with?

Mr. BARKER. I believe I am familiar with the bill that Mr. Stanley introduced.

Mr. GAINES. Then take Mr. Stanley's bill and explain that.

Mr. STANLEY. I would suggest to Mr. Barker that the provisions of this bill of mine simply provide—the rest being merely for trimming purposes—that he shall have the right to sell tobacco in the natural leaf and in the twist, and that subsequent purchasers shall have the right to handle it. That is what you want, I understand.

Mr. BARKER. Yes.

Mr. HILL. That is the twist there [indicating one of the samples of tobacco]?

Mr. BARKER. Yes, sir.

STATEMENT OF HON. J. W. GAINES.

Mr. GAINES. If the Chair will permit me, as you have called my bill in question, I will explain it in a few minutes, if desired, not taking your place on the witness stand, Mr. Barker, but merely interrupting you for a few minutes to explain this bill. (See p. 65.)

Now, Mr. Chairman, my bill provides:

That it shall be lawful for any person to buy and sell tobacco unstemmed and in the leaf without license or the payment of any tax of any kind.

That says "any person." Under the present law "any person" can not deal in leaf tobacco free of tax, or license, or limitations. Only the grower can do this, and then he is confined to the tobacco of his own growing. He may stem and twist for his own use. He can not stem or twist to give away or sell. The grower's agent can only "solicit" orders for sale. The agent can not deliver. The grower must in person deliver directly to the purchaser. The grower may employ

a registered dealer as his agent, on commission; but that dealer, acting as such grower's agent, can only sell to three parties—dealers in leaf, manufacturers of tobacco, snuff, and cigars, and exporters. He can not sell to consumers, although the grower can. In other words, under the law the agent can not do what his principal is allowed to do.

Again, if the grower sells his growing crop to another person, that other person can not sell it again to consumers. He must register as a dealer and sell to other dealers in leaf, manufacturers or exporters. Again, if the grower sells to another person for his own consumption, and that other person desires afterwards to sell this leaf, he must register as a dealer, and then must only sell to manufacturers, registered dealers, and exporters. This section, the first section of my bill, will eliminate all these limitations, not only of the grower, but his agent, and the sale of leaf tobacco in its natural condition by any and every person.

The CHAIRMAN. Let me ask you this: The man that sells pays no license?

Mr. GAINES. The grower selling his own growth in the natural leaf pays no tax; he does if he changes the natural leaf for gift or sale.

The CHAIRMAN. Wait a moment. The man that buys it does not pay any tax if he does not change its shape or form.

Mr. GAINES. If a person other than the grower sells to consumers, the tobacco is taxed whether its form is changed or not. If the grower sells his growing crop to another person, that other person to sell that crop to consumers must qualify as a dealer and pay a tax. There is no tax on the grower's own growth if he sells it unchanged in its natural condition. There is no tax whatever on the privilege of export or on the tobacco export, whether manufactured or in the raw condition. What we want is every tax or license or limitation taken off of leaf tobacco and off of any and every person who now deals in it or who may hereafter deal in it, regardless of what his business is, and that the tax be placed upon manufactured tobacco, and that the tobacco grower shall be left to stem and twist and sell his own growth without tax, license, or limitation.

STATEMENT OF HON. A. O. STANLEY, OF KENTUCKY.

Mr. STANLEY. While there is no tax, there is a regulation that I would like to call the Chairman's attention to. I have been discussing the matter with Mr. Yerkes, the Commissioner. There is a regulation on the handling of this tobacco that has practically destroyed its usefulness in the hands of the farmer.

This twist, to make it perfectly plain, is nothing in the world but the leaves as they are taken from the stalk and hung up in the barn to dry, and then put in this form while they are in a condition where they can be handled—that is, they are tough, like bands. Then they take any form that you put them in. They take one leaf and, holding this tobacco in the hand like that [indicating], they wrap that leaf around it to hold it in shape, just as you would bind a sheaf of wheat.

This hand of tobacco in that shape can be sold by the farmer to whomsoever he pleases, if it is a farmer that sells it; but his tenant or his agent can not sell it in the same way. If this same tobacco right here is sold to Mr. Barker there, he is a dealer and he can not sell it except in certain quantities and under certain regulations. I can not purchase this tobacco and take it down South, or East, or West,

and sell it to whomsoever I please in this shape. Under the regulations and by the specific wording of the law, any man is regarded as a manufacturer, even of this tobacco, who handles it in less quantities than a bale or a hogshead, unless it is for export; so that this tobacco in its natural state can not be handled like corn, or wheat, or oats, but must be handled under restrictions of the Government, which I presume were intended to keep tab on the manufacturers.

That has practically destroyed the free exchange of commodities on the part of the men producing them in this case.

STATEMENT OF MR. GAINES—Continued.

Mr. GAINES. Now I will proceed. Mr. Stanley is a practical tobacco grower. I never raised any tobacco, but I have raised everything on the farm except tobacco and brimstone. [Laughter.]

I have given this matter, so far as the low part of it is concerned, a great deal of study and my constituents, as well as people from the States of Pennsylvania and Wisconsin and Tennessee, Kentucky and the Virginias, and North and South Carolina, and some from Connecticut have written many letters to me urging relief. There are about 22 or 23 large tobacco growing States in the country.

I will now get back to my proposition. The first section of my bill reads:

That it shall be lawful for any person to buy and sell tobacco, unstemmed and in the leaf, without license or the payment of any tax of any kind.

If the grower sells his tobacco in the stalk his purchaser, if a consumer, must pay a tax of 6 cents per pound when he sells it. This is the law, says Commissioner Yerkes, as I shall soon read you.

By any person who buys it being taxed when he sells, the committee knows that is an indirect tax on the man who grows it, because if you put a burden on the man who buys you burden the man who creates the product. This burdens the grower and his vendee before the crop gets out of the ground. Think of it!

It prevents the neighbors of the tobacco grower from purchasing it. It bars trade. It destroys the liberty of the grower. In such case both parties are growers—the tobacco is uncut—in the stalk. Again, if any person sells leaf tobacco to a consumer or any person except registered dealers, exporters in packages or manufacturers of tobacco or cigars, such person becomes a manufacturer and must pay 6 cents tax, unless a grower. Your neighbor, if he would buy it, would have to be licensed to deal in it or sell it or give it away. "Dealers" can only sell to such manufacturers or registered dealers—persons registered—or for export.

So the whole matter is couched right in this, that the law is so hedged around the grower of tobacco that his liberty—liberty of action—his free agency is destroyed. He must deliver in person. He can not delegate his authority to sell and deliver. The tobacco trust can sell to consumers.

Again, the trust agent walks up to the tobacco grower and offers him a certain amount for his product, and the grower has to take that or nothing. I have letters and statements to the effect that a purchaser went up to a grower, Jones we will call him, and bought one barn of tobacco and paid the grower for it; and Jones had another barn of tobacco just across the road, right in sight, but the purchaser would not go over there to buy it, because he said, "This is as far as my

territory goes. I am not allowed to go across the road." That is the way the business is subdivided into districts, and it is all in the hands of this tobacco trust. This occurred in Cheatham County, Tenn.

So that the great tobacco manufacturers, the great tobacco trust—I do not care whether it is a trust with one head, or a trust with no head, and all tail, or all feet, or what it is—has the farmer right by the throat, and goes up to his tobacco field where he is giving it his attention in the early morning as he must (and the tobacco grower has to nurse tobacco as you would a sick child)—the agent of the tobacco trust goes up to the grower of the tobacco and says, "I will give you so much for your tobacco," and the purchaser has to take it or hang the tobacco up in his barn and wait for a day when he can sell it; and when he thinks that day has come, the agent of the trust is back there and says, "I will pay you so much, and no more." And if the farmer does not sell the tobacco at that, it hangs and hangs until it rots there.

COST TO RAISE TOBACCO.

It costs 6 cents a pound to raise tobacco in Robertson County, Tenn. and this year it sold at 3½ cents on an average. This county (and Kentucky) raise dark export tobacco. These gentlemen are all dark-tobacco growers.

EXPORTED.

Ninety per cent of the tobacco from Robertson County is sent abroad and no revenue comes from it. You can not tax it under the Constitution, excepting a stamp tax, to police it out of the country. (See 92 U. S. R., *Pace v. Burgess*, 372, and 117 U. S., p. 504, reaffirming 92 U. S., upholding this stamp tax in exports as valid police tax.)

Mr. JAMES, of Kentucky. Is it not true that in many instances the tobacco trust has absolutely shut up the factories and refused to purchase at any price?

Mr. GAINES. Yes; these wrongs have appealed to me as an officer and as an individual. It is destroying the liberty of the farmer by circumscribing his right of action. He is no longer a free moral agent. Not at all.

You have gone a step farther—and when I say "you," I mean both the parties in Congress have perpetrated this infamous law on the tobacco growers of the country. What else? Congress has said that hand stemming tobacco and hand twisting by the farmer of his own growth, sitting in his barn on a wet day, makes him a manufacturer—

The CHAIRMAN. Not when he does it just for his own use.

Mr. GAINES. But he can not give or sell it free of tax to anybody. He can not give it to members of his family without paying a tax on it. That is the law, as shown in Mr. Yerkes's letter to me last March, and it is here in my speech which I have before me of December 14, 1903. I will insert his letter in part here:

MR. YERKES'S LETTER.

WASHINGTON, March 12, 1903.

HON. JOHN W. GAINES,
Member of Congress, House of Representatives.

SIR: I have received your letters, dated 7th and 9th instant, respectively, presenting the following questions:

1. You ask, Did the Fifty-sixth or Fifty-seventh Congress relieve tobacco growers of taxes on tobacco raised by them; and if so, under what statute and section thereof?

2. Does the law tax—and if so, how much—tobacco growers when they stem or twist their tobacco for their own use or to sell the same?
3. Can tobacco growers stem or twist their tobacco for their own personal use without paying a tax?
4. Can tobacco growers stem or twist their tobacco for the purpose of giving it away without paying a tax?
5. You ask for the departmental or judicial definition of the term "dealer in tobacco."
6. You ask for the definition of the term "manufacturer of tobacco."
7. You ask whether a tobacco grower who stems or twists his tobacco grown on his own farm or purchased from a neighbor is a manufacturer, or, in other words, whether stemming or twisting tobacco is manufacturing.

Mr. Yerkes replies to these questions as follows:

From the foregoing premises, I [Mr. Yerkes] am constrained to answer your questions categorically, as follows:

1. That Congress has never imposed a tax on natural-leaf tobacco in the hands of farmers, but only upon leaf tobacco which they may have sold directly to consumers.
2. Under the present law a tax of 6 cents per pound is imposed upon all tobacco stemmed or twisted by a farmer not intended for his own personal use.
3. A farmer may stem and twist tobacco for his own use without incurring liability to tax on such tobacco.
4. Stemming or twisting tobacco is regarded as manufacturing, and a grower or planter can not lawfully stem or twist his tobacco for sale or for the purpose of giving it away without payment of tax. If he should engage in that business he would be regarded as a manufacturer of tobacco and be required to qualify as such by registering with the collector of the district, filing statement and bond, and to pack, label, and stamp his product, as provided by regulations No. 8, pages 5 and 6.
5. "Every person whose business it is to sell or offer for sale manufactured tobacco, snuff, or cigars shall be regarded as a dealer in tobacco."
6. My answer to question 4 is an answer to question 7.
7. The term "manufacturer of tobacco" is defined in the first and second paragraphs of section 69, act of August 28, 1894, amending Revised Statutes, 3244, which section 69 provides that—

"Every person whose business it is to manufacture tobacco or snuff for himself, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, crushing, or rubbing of any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco, or manufactured or partially manufactured tobacco or snuff, or the putting up for use or consumption of scraps, waste, clippings, stems, or deposits of tobacco resulting from any process of handling tobacco, or by the working or preparation of leaf tobacco, tobacco stems, scraps, clippings, or waste, by sifting, twisting, screening, or any other process, shall be regarded as a manufacturer of tobacco."

The second paragraph of that section provides that—

"Every person shall also be regarded as a manufacturer of tobacco whose business it is to sell leaf tobacco in quantities less than a hogshead, case, or bale, or who sells directly to consumers, or to persons other than duly registered dealers in leaf tobacco or duly registered manufacturers of tobacco, snuff, or cigars, or to persons who purchase in packages for export; and all tobacco so sold by such persons shall be regarded as manufactured tobacco, and such manufactured tobacco shall be put up and prepared by such manufacturer in such packages only as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe: *Provided*, That farmers and growers of tobacco who sell leaf tobacco of their own growth and raising shall not be regarded as manufacturers of tobacco; and so much of section 3244 of the Revised Statutes of the United States, and acts amendatory thereof, as are in conflict with this act are hereby repealed."

Commenting on these sections the Commissioner says:

In the first paragraph every person is regarded as a manufacturer of tobacco who in any manner prepares his leaf tobacco for consumption by crushing, twisting, stemming, grinding, or otherwise changing the tobacco from its natural condition.

In the second paragraph every person is regarded as a manufacturer of tobacco who sells and delivers his leaf tobacco in its natural condition to consumers, or to persons other than registered dealers in leaf tobacco, manufacturers of tobacco or cigars, or persons who buy leaf tobacco in packages for export, and all leaf tobacco so sold by such person is regarded as a manufactured tobacco subject to tax; but there is this exception, that farmers and growers are not to be regarded as manufacturers for selling leaf tobacco of their own growth and raising.

The farmer can not change the natural leaf for gift or sale without paying a tax of 6 cents a pound and putting it up in boxes, which are such great burdens that he can not do either and keep out of the poorhouse.

Mr. TAWNEY. Have you endeavored to pass this bill in the House?

Mr. GAINES. No, sir. I have only made a speech December 14 last to bring it to the attention of the House and of the country. I pledge you my word that I have met the best lawmakers in Congress, and they would hardly believe me when I stated correctly what the law is on this subject, when I told them that the law is that to hand-stem or hand-twist leaf tobacco for gift or sale by the man that grew it is manufacturing and the grower a manufacturer.

The CHAIRMAN. It is if he does it for sale?

Mr. GAINES. For sale or gift either, to any person—even his own family.

The CHAIRMAN. He can do all that for his own use.

Mr. GAINES. Exactly so; but more, he can not sell it or give it away without paying 6 cents tax per pound.

The CHAIRMAN. It seems to me that your proposition was to destroy what might be called a monopoly by knocking the bottom out of the entire tobacco-revenue system of the United States—taking the foundation out from under the whole business.

Mr. GAINES. Not at all, Mr. Chairman; simply this——

Mr. STANLEY. Let me interrupt you there just for a moment, please. I believe when this committee realizes the direct and positive material benefits that this proposed legislation would produce to a vast number of men—the small handlers of tobacco—the desire of the committee will be to do what is asked, if they can do it without material injury to the revenues.

The CHAIRMAN. Have you any idea how the revenue would be affected?

Mr. STANLEY. Yes; the revenue is \$43,000,000 annually, I think, in round numbers. I have made a most exhaustive investigation of this question, and I have just spent an hour with the Commissioner of Internal Revenue, who has written to each collector of internal revenue on the subject; and I can say frankly that I do not think there has been a greater Commissioner of Internal Revenue in a hundred years than the present one. He says that my estimate of \$2,000,000 less by the taking of the tax off of the tobaccos, stemmed and twisted, is very, very liberal; that it not only takes into consideration all of the loss of revenue now, but the possibility of a loss of tax, and that is where the greatest part of it would come—in manufacturers of tobacco forcing the sale of the untaxed article.

Mr. HILL. Is not the real danger here that this very highly taxed article, in its manufactured form, must be taken at the very start in order to trace it to prevent fraud on the revenue? Can the Commissioner overcome that?

Mr. STANLEY. Yes, sir.

Mr. GAINES. Yes; if you take the tax entirely off leaf tobacco.

Mr. HILL. It is not a question of a loss of revenue that concerns me, but whether they can trace it afterwards.

Mr. GAINES. Farmers are no more capable of committing fraud than anybody else.

Mr. HILL. No; but I am thinking about the time after it leaves their hands.

Mr. JAMES. If the present conditions continue, the farmers will have to quit raising tobacco and starve.

Mr. GAINES. A number of counties in Kentucky have already agreed to quit raising tobacco. In two or three counties in Kentucky they are agreeing to do so. If the present conditions continue, they will do it all over the country for the simple reason that they can not make a living out of raising tobacco that costs them 6 cents per pound to raise and sell it for 3½ cents.

I will get back to the question of revenue now. Mr. Yerkes has been trying to find, not only at my request but at the request of several others, how much this would liberate. Whether it would lessen the revenue any or not I do not know. I have no data to go by.

Of this dark tobacco, as it now is, about 80 per cent is sent abroad and no revenue whatever comes from it, absolutely none. Whereas if you let the farmer stem it and twist it and sell it to his neighbor a market would be created for it here and competition created also. It would then, in part at least, get back into the hands of the manufacturer, and would be ground by them into smoking tobacco or other manufactured, on which they pay a tax. The moment the manufacturer goes to manufacture it, to change that condition from its stemmed condition or twisted condition, it becomes taxable at 6 cents a pound.

I want to read an opinion of Mr. Yerkes, which throws a great deal of light on this subject, as he is a very capable and able man. As it is now all the "dark" tobacco, you may say, is exported. Eighty per cent, I am told, of it is exported. The other 10 per cent they chew around home, I presume.

The CHAIRMAN. By exported, do you mean sent to foreign countries?

Mr. GAINES. Yes; sent clear out of the country, to Italy, France, Spain, Germany, and England, and all those great monopolist monarchies over yonder that come over here and buy tobacco and sell it to the people over there. They get this dark tobacco from the dark-tobacco counties.

Mr. TAWNEY. If that is so, what is the necessity, then, for this law, so far as it relates to dark tobacco? There must, then, be several buyers, or competition, at least.

Mr. GAINES. No; they send just one man to buy for all these countries.

Mr. STANLEY. Right there, not to interrupt you, I would like to say just a few words. The American Tobacco Trust, as it is called, attempted to control the market in the United States. That they succeeded in doing completely. Then they concluded they would control the market in England, and they sent 10,000 hogsheads of tobacco to Great Britain.

When this was done, seventeen of the leading tobacco manufacturers in Great Britain formed themselves into an organization for the purpose of fighting this American Tobacco Trust. They made it a propaganda, patriotic in its features. They carried it to the small dealers until they reached the point where no customer would buy any article of the American Tobacco Trust that had this mark on it. They would not sell to any dealer who would handle any article of the American company. The American company got into

trouble in the courts. They found they had 10,000 hogsheads of tobacco and millions of dollars of property over there that was absolutely useless to them. These seventeen leading tobacco buyers (and they are all enormous concerns, because it takes an enormous concern to handle tobacco with a tax of 72 cents on a pound), after they had driven the American Tobacco Trust out of Great Britain and had given the shipper the assurance that they were doing it in the interest of the independent companies (my town alone is the largest shipping tobacco market in the world), as soon as this was done, these seventeen fellows made themselves into an organization called The Imperial Tobacco Company, of identically the same character, and took these 10,000 hogsheads of tobacco off their hands.

Mr. HILL. What is the price of this export tobacco—the tobacco that is sold for export? What do the farmers get a pound for it?

Mr. STANLEY. They used to get an average of 7 or 8 cents a pound.

Mr. GAINES. They received this season, in Robertson County, Tenn., $3\frac{1}{2}$ cents a pound on an average, and it costs them 6 cents to raise. This 50 intelligent tobacco farmers found last week after close investigation. I was so informed by letter.

Mr. HILL. For export?

Mr. GAINES. Yes, sir; $3\frac{1}{2}$ cents a pound, average.

ADDITIONAL STATEMENT BY MR. STANLEY.

Mr. STANLEY. Tobacco varies, like a blooded horse. A slight difference in texture, a slight difference in color, makes a great difference in price. I have a statement here, which I will produce to this committee later, from at least half a dozen men who have sold on an average 2,000,000 pounds a year, that the price of tobacco in the dark-tobacco districts has been cut at least 100 per cent and more; that tobacco that brought 7 cents a pound now brings 3, and that which formerly brought 8 cents a pound will now bring $3\frac{1}{2}$ cents a pound, and so on.

Mr. TAWNEY. Why is it that you have not more than one buyer?

Mr. STANLEY. I will tell you. They formed this Imperial trust in Great Britain, with these 10,000 of the American Tobacco Company, and they have entered into an agreement with the American trust to do away with the middleman entirely. They have closed up the firm of John H. Barrett & Co., in my town, that has been open for fifty years and is worth \$2,000,000. They have closed up Burbank's establishment, which has been in constant operation more than fifty years; and one man in that institution has made nearly \$2,000,000 in the business. They have closed up all of the Sopers, three or four of them, who have been in operation fifty or sixty years. Richard Soper himself has been buying tobacco at one stand for over sixty years, and he and his father have been doing it for over seventy-five years.

The CHAIRMAN. That is all the result of this foreign monopoly?

Mr. STANLEY. Exactly. They have agreed to do away with the middle man entirely, and now they have an agent of the Imperial Company and an agent of the American Company like two pups in a basket, right in my town, with one buyer for both.

The CHAIRMAN. I wish you would tell me this, for information; I want to understand it. How will the operation of this bill of Mr. Gaines bring about a multiplication of buyers?

Mr. STANLEY. I will show you. I do not want to take up your time, to the exclusion of these other gentlemen.

The CHAIRMAN. It makes no difference about the order. We want facts.

Mr. STANLEY. This tobacco pays a tax of 72 cents in the ports of Great Britain.

Mr. HILL. Explain how.

Mr. STANLEY. It is the only tobacco in the world that they will buy—the dark tobacco, like this sample here.

The CHAIRMAN. You mean in that shape? [Indicating sample.]

Mr. STANLEY. Yes; they buy it in strips. But just exactly as is the case with fine imported goods brought into this country, you can not afford to import goods that pay a tax at the port of entry of a dollar a yard unless they are good stuff. Therefore they can not afford to pay 72 cents a pound tax on tobacco unless it is the finest smoking tobacco in the world. For that reason this is driving all other tobaccos out of the English market. It is the finest tobacco on earth in flavor, in body, in texture, in the delicious aroma of it. It is the finest tobacco on earth, and up to this time the foreign market has taken it all. It requires much skill to put it into this form. I do not mean manual skill; but the tobacco has to be taken at a certain stage to be put into that twist. It becomes pliable and tough, and the men who do the work can tell when it is at just the right stage. No manufacturer ever learned to do it or ever will learn to do in this world with any degree of success. These people down there, however, do know how to make this twist. When they do it that twist at 5 years old is worth twice what it was at 2. It grows in flavor, and it grows in strength, and it grows in value with age.

If you will allow the farmer to twist this tobacco in this form, it will go into a market never found before, and it will find its purchasers among all Americans who use it, and especially in the South. The negro in the South uses very little tobacco and buys an inferior quality. This tobacco can be sold down there, if you can get the tax removed from it, in this shape, and they will use thousands and thousands and thousands of twists of it.

Of course, it would not affect the revenue now materially, but in four or five years it is a fact that this tobacco, being so superior and so pure and mellowing with age, would come in demand in place of tobaccos that do pay a tax. However, it would always come from the farmers, as it is bound to do, just like hand-made whisky or country hams or a hundred things that manufacturers can not produce like the home-made article. It will always come right straight from the producer. In addition to that, he has it in that form so that he can sell a little of it or much of it. He can leave it in that twist until the market is found for it. It will make it a commodity like corn or wheat or butter or eggs, and it will not have to find its way through the taxed dealers.

As it is, this tobacco (twist) can not be sold until it pays a tax of 6 cents, and the poor man can not pay that to sell it.

Mr. TAWNEY. I understand, then, that this tobacco would not have a competitor in the market; that the American Tobacco Company could not produce tobacco in that form.

The CHAIRMAN. No, sir.

Mr. METCALF. It must be taken at a certain stage——

Mr. GAINES. And the farmer could sell it to his neighbors around the country, which he can not do now.

Mr. JAMES. Would not the purpose of this bill be to give to the farmer a home market that would enable him to sell his tobacco at a reasonable living price and would force the monopoly that is in England to compete with the public in the purchase of its tobacco and thereby give him a reasonable price for his product?

Mr. STANLEY. I will tell you what it would do, and this is a conservative estimate. This tobacco here (twist), in that shape [indicating sample], is worth 3 cents a pound. I can take those twists to-day myself and I can start up and down the railroads (because those railroad men that come through that dark tobacco section all get to using that tobacco) and I can sell 10,000 of them.

Mr. METCALF. Have you any objection to my cutting off a little of this?

Mr. STANLEY. No, sir. I wish that every member of the committee who smokes would do so. I have seen it time and time again, especially we politicians find that out in traveling through the country.

STATEMENT OF MR. GAINES—Continued.

Mr. GAINES. Mr. Chairman, I will read you just two things. One is the opinion of Mr. Yerkes, and the other is an account of this monopoly, the way they are managing this thing. Then I will ask the chairman to hear these farmers who have come here from the different States. You can hear the Members of Congress, of course, at any time on this subject, and we would be very glad to discuss the question at any time. So far as I am concerned, I would not have said anything if my bill had not been in question and an explanation of it asked.

Inasmuch as we are talking about this question, I will read a clipping from the Nashville American, which was copied in all the Kentucky and Tennessee papers, and is well authenticated in this, that I know the correspondent, at least last year, of the paper at Ashland City, Mr. Justice, one of the best men in the place. He has written of this remarkable state of things, which goes undisputed:

TOBACCO TRUST—HOW IT WORKS.

CHEATHAM TOBACCO GROWERS DISCOURAGED.

[Special dispatch to the American.]

ASHLAND CITY, TENN., *January 22.*

The tobacco growers of this county are very much discouraged on account of the slowness of the market this season and the low prices. The best price yet paid in this county was 8 cents for leaf and 2 cents for lugs, the crop bought at this price being one of the best in the county. But little of the crop in this county has been sold and practically none has been delivered. The tobacco trust is what is causing all the trouble. There is no competition in the buying, the dealers all having contracts with those who are in the trust, hence the buyers are taking their time and are paying their own prices. In this county each buyer has a certain district to canvass and buy in, and he is not allowed to get out of that district and no other buyer is allowed to go into his district, all the buyers working for the trust people. The entire black-tobacco section is laid off into districts, and each district is assigned to one man. To illustrate this: A few days ago a buyer went to a barn of a certain farmer, the barn being on one side of the Ashland City and Thomasville road. The buyer

examined the tobacco in that barn and bought it, whereupon the farmer invited him to go to another barn just across the road and see the tobacco there, it being a part of the crop which he had just bought. The buyer had to decline, saying that road was the line for him and he must not cross it.

Practically nothing has been done toward preparing for this year's crop, and not a plant bed has yet been burned. A great many will plant no crop, and they are urging upon their neighbors the no-crop proposition, owing to the conditions that now prevail.

What does it cost to raise that tobacco a pound, Mr. Warfield?

Mr. WARFIELD. Well, the general estimate is that they can not raise it for less than 6 cents.

Mr. GAINES. And they are selling it at $3\frac{1}{2}$ cents this year on an average in Robertson County?

Mr. METCALF. How many pounds are there to an acre?

Mr. WARFIELD. Six or seven hundred.

Mr. GAINES. Gentlemen of the committee, Mr. Warfield is one of the most experienced tobacco men of Montgomery County, Tenn. Is it not a fact, Mr. Warfield, in different counties in Kentucky and Tennessee, in this black-tobacco region, 75 or 80 per cent of the farmers have agreed that they will quit raising tobacco and not raise any next year?

Mr. WARFIELD. That is true as to some of the counties there.

Mr. GAINES. Because of this oppressive internal-tax law—the regulations thereunder. As indicated by the newspaper article that I have just read, this trust will send out possibly half a dozen men, or maybe one man to a county, but they are all buying for one man—one master—and at a price that one man fixes.

Mr. TAWNEY. Is each man confined to one district?

Mr. GAINES. Each man has one and the same master and is confined to one district, so that the farmer has to yield to this man or put his tobacco in his barn and let it hang there. The grower wants freedom of action to fight this crowd.

Mr. BARKER. You can not find a barn in the district that two of those men have been into.

Mr. STANLEY. Under conditions as they exist at present, they have one buyer who will look at the tobacco, and tell what he will pay for it; and he will say: "Take it to the Imperial Company tobacco warehouse over there." Another will come along and say: "Take this to the American tobacco house, over here." And there are five tobacco warehouses in my town under the control of the American and the Imperial Tobacco Company. They have an absolute understanding, and one man does the buying where twenty did it before.

Mr. GAINES. We ask that you let the farmer stem and twist his own tobacco, untaxed; that he be allowed to stem and twist it, not with machinery, but hand stem and hand twist it, with these ten fingers that God Almighty gave him; let him stem and twist the tobacco he grows, and he will create an article that is not now created in the neighborhood, and will sell it in the neighborhood among his neighbors, and compete with the tobacco of the trusts or anybody else. Then untax the natural leaf in any person's hands.

Mr. TAWNEY. Does your bill limit this to the producer?

Mr. HILL. It says "any person," does it not?

Mr. GAINES. It says that any person that buys leaf tobacco shall go untaxed, and it gives the tobacco grower the right to hand stem or twist the tobacco he grows. Even then he would have to compete

with machine-made tobacco. I wish to read to the committee a letter which Mr. Yerkes sent to me —

Mr. W. W. KITCHIN. Permit me to interrupt you for a moment. Is not the object of your bill, or the result of it, to take this hand-twisted and hand-prized tobacco out from the definition of manufactured tobacco?

Mr. GAINES. Exactly, and give a purchaser of tobacco in the stalk the right to sell without tax or license, now disallowed.

Mr. W. W. KITCHIN. To relieve it from the taxes altogether?

Mr. GAINES. Yes. The second section of my bill reads:

That it shall be lawful for any grower of tobacco to sell his own product—

I am answering Mr. Tawney's question now—

to sell his own product or to deliver to another person any tobacco grown by himself, to be by such person carried to market and sold for the benefit of the grower; any tobacco grown by such planter, in the hand or in the leaf, or stemmed, or stemmed and hand twisted, or stemmed and hand pressed, or hand twisted, or hand pressed, without license and without the payment of any tax of any kind: *Provided*, That such planter shall furnish to the person by whom he sends it to market or offers it for sale a written authorization for that particular transaction, specifying the number of pounds.

This would give the grower the right to stem or twist by his fingers and delegate his right to sell his crop to his son, or agent, a right denied him.

Now, I want to read this opinion Mr. Yerkes sent me to-day, issued to some Kentucky tobacco growers. My bill relieves the grower of some of the burdens shown by this letter. I now read:

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., April 7, 1902.

SIR: In your letter dated 2d instant you present several questions concerning the sale of leaf tobacco by and for farmers who raise the tobacco, or who receive the same from tenants or who buy the same while it is growing in the fields, and also whether a number of farmers may employ an agent to travel from place to place and sell the tobacco for them.

GROWER CAN NOT DELEGATE AUTHORITY TO SELL FOR HIM.

In reply you are informed that a farmer or grower of tobacco may sell tobacco of his own growth or raising, or that which he receives from his tenants as rent for land, without restriction as to the quantity sold or the business of the person to whom the tobacco is sold and delivered. This privilege is one which the farmer or grower can not delegate to another person.

Mr. GAINES. My bill allows him to "delegate"—sell by another person, his agent.

The office has decided that where a grower of tobacco sells his crop before it is severed from the land to another person, the purchaser would not be privileged to resell the tobacco to consumers without payment of the tax.

Mr. GAINES. My bill allows free trade in leaf tobacco.

A farmer or grower of tobacco may place his tobacco in the hands of a qualified dealer in leaf tobacco to be sold by him on commission, and such dealer must sell the tobacco only to other qualified leaf dealers or to qualified manufacturers of tobacco or cigars, or to persons who buy leaf tobacco in packages for export.

Mr. GAINES. My bill removes this restriction.

Any arrangement made by a farmer, or a number of farmers, with another person to sell and deliver his or their tobacco for him or them while traveling from place to place would be in violation of law. An agent who is paid a stipulated salary may travel and solicit orders for the sale of tobacco raised by another person, but he may not deliver the tobacco to purchasers; nor can he sell tobacco on commission, or receive as compensation for his services the difference between the price as fixed by the farmer and the selling price.

Mr. GAINES. My bill abrogates these limitations.

All tobacco sold by an agent for the farmer who raised the tobacco must be delivered by the farmer, and not the agent, directly to the person who purchased the tobacco; and a farmer must sell his tobacco in the condition in which it was cured on the farm, and can not stem, twist, plait, roll, sweeten, or otherwise manipulate it for sale to consumers.

Respectfully,

J. W. YERKES, *Commissioner*.

Mr. GAINES. I have a crop of tobacco and sell it to my friend, Mr. Tawney. He has to pay a tax before he can sell it to a consumer.

Mr. TAWNEY. Whether I change the character of the tobacco at all or not?

Mr. GAINES. Whether you do anything with it—even while it is growing in the field. Mr. Tawney can, in his own proper person, sell his leaf tobacco to some one in New York City, or he may sell it through a qualified dealer, but that dealer must sell to qualified dealers or for export. I can not authorize my son to deliver for me.

Mr. TAWNEY. Suppose I am buying for export, and I purchase your entire tobacco crop, or any part of it, can I ship it and sell it to some foreigner without being licensed?

Mr. GAINES. Yes. I think two-thirds of our tobacco is exported and does not give us one bit of revenue. I have the figures here to tell you how much we export. It is in my speech to which I have referred before. Almost everything good on this subject is in that speech. [Laughter.] It does not pay a particle of tax. Look at page 3 of my speech and you will find that point referred to in a recent letter to me from Mr. O. P. Austin, of the Commerce and Labor Bureau. The last internal-revenue report shows we exported in 1902 domestic leaf 353,317,385 pounds, valued at \$34,393,294, and stems 10,751,955 pounds, valued at \$247,221; total, 364,069,340 pounds, valued at \$34,640,515.

Mr. TAWNEY. It is a fact, then, that if I buy and sell again for domestic purposes here, and though I may not change the form of the tobacco by manufacturing or any process whatever, I am obliged to take out a license and also to pay a tax.

Mr. GAINES. Exactly so if you buy the "growing" crop, or a non-producer sells leaf to "consumers," you then pay 6 cents per pound, and thereby hangs our tale of woe.

Mr. METCALF. You are then a taxed dealer. You say that you gave the figures in the speech delivered by you in the House?

Mr. GAINES. Yes.

Mr. METCALF. Did you get those figures from the Commissioner of Internal Revenue?

Mr. GAINES. They are official, from O. P. Austin to me. Read the last Internal Revenue report—it comes down to date—1902, page 23.

Mr. STANLEY. The purpose of this law is one thing; its effect has been another.

Mr. GAINES. I wish to read this from the Bureau of Statistics, gotten up by Mr. Austin, set out in my speech:

DEPARTMENT OF COMMERCE AND LABOR,
BUREAU OF STATISTICS,
Washington, December 12, 1903.

DEAR SIR: Replying to your verbal inquiry regarding the share of the tobacco crop of the country not sold for manufacture or exportation, and therefore, presumably, consumed by the producers, I have the honor to say that the United States census of 1900 reports the total tobacco crop of 1899 at 868,163,275 pounds in the cured state. It further reports the amount consumed in factories and exported in 1900 at 662,818,341 pounds, but says that the tobacco loses from 15 per cent to 20 per cent in the sweating process after leaving the farm but before its manufacture or exportation. Allowing 20 per cent for the loss from the sweating process between the farm and the factory or export dock, the 662,818,341 pounds manufactured or exported would represent 828,522,293 pounds when sold by the farmers.

The census report also states that the loss by the stemming of tobacco exported has been estimated to amount to as much as $3\frac{1}{2}$ per cent of the entire crop of the country, which would be 30,385,715 pounds. It also estimates the loss by fire at one-half of 1 per cent, or 4,340,816 pounds. To obtain the amount retained in the hands of producers it would therefore be necessary to subtract from the total production:

	Pounds.
The amount manufactured and exported.....	662,818,341
The loss by sweating between the farm and the factory or export dock..	^a 165,704,585
The loss by stemming.....	^b 30,385,715
The loss by fire.....	^c 4,340,816

Combining these four totals, the amount manufactured and exported, the weight lost by sweating, the loss by stemming, and the loss by fire, produces a total of 863,249,457, which, subtracted from the total product, 868,163,275 pounds, would leave a total of 4,913,818 pounds unaccounted for, and presumably retained by the farmers. It is proper to add that this total is in substantial agreement with the census report, which estimates the "home consumption by farmers and the sale of tobacco to their neighbors" at about one-half of 1 per cent of the total crop, which would be 4,340,816 pounds.

Very truly, yours,

O. P. AUSTIN, *Chief of Bureau.*

Hon. J. W. GAINES, M. C.,
1325 G street NW., Washington, D. C.

The CHAIRMAN. We have only about twelve minutes left. Had we not better hear from some of the farmers who are here?

Mr. D. H. SMITH. I will ask Mr. Cooper, who is familiar with the business, to address the committee first.

STATEMENT OF R. E. COOPER, OF HOPKINSVILLE, KY.

Mr. COOPER. I would like to say that I am only a common farmer, and I hope the committee will put up with my statement and make allowances accordingly.

As a boy raised on a farm, and later engaging in the tobacco business, for the past seventeen years I have been selling tobacco for farmers in what is known as tobacco commission warehouses at Hopkinsville, Ky.

We had there when I went in the business eight tobacco warehouses, eight firms. Then the farmers put their tobacco in hogsheads and sent it to us. We had it sampled, as you see these samples here, and sold it in the open market. At that time we had from forty to fifty buyers on our market, and they would assemble around a table, just as the committee is assembled around this table, and we would start in

^a Loss of 20 per cent. ^b Loss of $3\frac{1}{2}$ per cent. ^c Loss of one-half of 1 per cent.

with these samples of tobacco, all tagged, labeled, etc.; and each of those buyers represented a distinct and separate manufacturer or country at that time.

Mr. GAINES. You say a distinct manufacturer or country?

Mr. COOPER. Or a foreign country—yes, sir.

As Mr. Gaines has already stated, 80 per cent of the dark tobacco grown in our section is for export. Ten per cent, possibly, of that amount goes into snuff in this country, and possibly 10 per cent goes into home consumption in the way of twist—around the smaller factories that use it in a very limited way.

To-day, instead of having the forty or fifty buyers, we are without a tobacco market at all. The American Tobacco Company sends Mr. Norman Smith to our town, who has charge of all four of the markets, not only of the Hopkinsville market. His home is Clarksville. He comes down there, and we have to lay out our line of tobaccos, and instead of having competitive bids he says: "Cooper, I will use that lot of tobacco for you after it is prized and put in hogsheads." That is the old custom—for it to be prized and delivered—and that would cost him about half a cent a pound to pay the expense of it. He will tell me that he will give me three and a half to four cents a pound for the tobacco, and I have nobody else to sell it to and I have to accept that price.

The CHAIRMAN. Is he the only licensed dealer?

Mr. COOPER. No, sir; I will explain that more later on. He represents, however, the control of the larger part of our tobaccos. In the days when we had manufacturers as bidders we had forty to fifty bidders. Now we are limited to possibly three or four. Mr. Smith is the principal one.

The American Tobacco Company succeeded in closing all the snuff factories. At one time we had 38 snuff manufactories in the United States. To-day we have 98 per cent of those in the American Tobacco Company, known as the American Snuff Company. There is one remaining, at Nashville.

Mr. GAINES. That is in the trust, I am told.

Mr. COOPER. Has the Standard gone into it?

Mr. STANLEY. Yes.

Mr. COOPER. Then we are out entirely.

Mr. METCALF. Are they operating all those factories?

Mr. COOPER. The American Tobacco Company?

Mr. METCALF. Yes.

Mr. COOPER. They are principally in New Jersey, Philadelphia, and at Nashville and Clarksville, Tenn.

Mr. METCALF. You said that the snuff factories had gone into the hands of the tobacco trust. Does the tobacco trust operate the snuff factories to-day?

Mr. COOPER. Yes, sir. That was the place we had to put about 10 or 15 per cent of our tobacco, and practically all the place we had in this country. We stood that for a while, and now about 30,000 hogsheads annually go to England; it is stripped and sent on the English market, and, as has been stated to you, they capture the English market under what is known as the Imperial Tobacco Company, the American Tobacco Company controlling it. That takes out all the English competition that we had. And when I say 30,000 hogsheads of tobacco, that means one-third or one-quarter of our entire crop is wiped out.

We sent to Bremen, which had been an open market heretofore, until last year, a quantity of tobacco, to sell it on the open market there. This year the American Tobacco Company, when we shipped our tobacco to Bremen, took from their reserve a quantity of tobacco and put it on the market at cost. I was one of the unfortunates. We put our tobacco on the Bremen market, expecting to have a sale for it, but instead the American Tobacco Company put its tobacco on the market there in opposition, and sells it at prime cost here—just what it cost, without any freight or expenses; and it costs us 2½ cents a pound to ship tobacco and sell it in Bremen to pay the expenses of it. The American Tobacco Company threw their tobacco on the market and just knocked ours out entirely—at a tremendous loss to the American Tobacco Company, of course—but while they can stand the loss, we can not. We have our tobaccos in Bremen to-day, and we can not sell them, from the mere fact that they have put the price lower than the cost of the tobacco at home.

Mr. GAINES. Tell the committee how you want to cure this trouble; what remedy or legislation you desire.

Mr. COOPER. I want the privilege of handling this tobacco. This is what we call a "hand"—simply twisted. We want the privilege of selling this tobacco to whom we please. Let a farmer, dealer, or merchant handle it. If the farmer owes the supply store that furnishes him his supplies for the year, he can take this tobacco in a box and deliver it to the proprietor of the store and let him give it to his wholesaler, and pay his debts that way. The tobacco will find the trade in the South.

Now, the poor people would use this tobacco if they could get it at a reasonable price. At present, however, we can not offer it to them, by reason of having to comply with the law.

You gentlemen are no doubt familiar with the revenue laws, but I have had some experience myself with them. They are so complicated that there is scarcely anyone who is not well trained and well drilled in them who can keep from violating them. We can sell this tobacco by paying 6 cents a pound.

Mr. GAINES. To your neighbor, to chew or to smoke?

Mr. COOPER. Yes; but to do that we have to get a license as a dealer and give a bond of about \$5,000. Then the law provides that it shall be put up, by order of the Commissioner of Internal Revenue, in certain packages and forms. A variation from that is subject to a fine of from \$300 to \$3,000, I think. I may not be correct about that, but that is about it. If you should be required to put it in a pound box and should put it in a box weighing a pound and one ounce, the revenue man comes along and you are subject to a fine of \$500. They say that it shall be put in a box of a certain shape and size, subject to a fine for violating that provision. They even specify that the stamp is to be put on in a certain place.

Mr. GAINES. You would have to put it in a box and pay a tax to sell it to your neighbor—even to sell him two pounds. You would have to pay a tax of 6 cents a pound.

Mr. COOPER. As a licensed manufacturer we would have to put it up in certain packages, as specified.

Mr. JAMES. On the question of revenue—the chairman asked whether this bill would affect the revenue. Tell the committee whether or not, in your judgment, if the condition that now exists in the dark-tobacco market is perpetuated, it will affect the revenue.

Mr. COOPER. One moment. I do not think I have made myself clear as to how we expect this proposed legislation to help us out. If, as I started to say, we could pay off our debts with tobacco in lieu of the money, it would be a great help. As soon as the tax would be removed there would be a market and people would begin to send orders to the markets for tobacco, possibly in hogsheads in the original package, or orders for a hundred pounds, etc. That would place right around our board again the large number of buyers that we had before, and the farmer would have a chance to sell his tobacco under competition, instead of having only one, two, or three men as buyers under the dictates of the American Tobacco Company. Instead of that we would have the board again, with 40 or 50 men to buy tobacco.

You understand that this tobacco grows on a stalk, originally, like corn on a stalk, and when you remove the stalk you have only taken off the jacket. Tobacco with the stem on it is like corn on the cob. Tobacco in the twist is only like putting corn in the sack, for the sake of having it in a convenient form, so that it will not crumble. It is done to preserve it. In this case [indicating] you see how it crumbles. It is subject to the atmospheric changes, and it crumbles very quickly. We want the privilege of sending this tobacco in the "hand," leaf tobacco stemmed—that is, drawing out this part of it right here [illustrating with one of the samples of tobacco]; the main body of that leaf.

Mr. GAINES. The backbone.

Mr. COOPER. Yes. We want the privilege of selling leaf tobacco, stemmed and twisted, and for any person to handle that. You will see that that would put into the trade numbers of men that have not the money to comply with the revenue laws, who would go to work stemming that tobacco. The farmer can go at it himself, or any other person can go into the business. We do not propose to conflict with the manufacture of tobacco at all.

I have here a petition from the tobacco growers and dealers of Kentucky and Tennessee in convention assembled at Guthrie on the 28th day of January, 1904, which I would like to read to the committee.

Mr. GAINES. You talk so intelligently, and the time is so limited, that I would suggest that you continue your original argument and file that paper with the committee.

Mr. COOPER. There is one part of it at least that I would like to read to the committee, and that is this:

Therefore, we earnestly petition and pray that the Congress of the United States do so amend the revenue laws as to permit any person (farmer, merchant, or dealer) to sell leaf tobacco in the hand, leaf tobacco stemmed, leaf tobacco stemmed and twisted, not mixed with any foreign ingredients or flavoring, to the consumer or to the trade, in any quantity free of any tax whatever.

Mr. GAINES. The tobacco which you are talking about is this tobacco, of which 80 per cent is exported?

Mr. COOPER. Yes, sir.

Mr. GAINES. And not one bit of revenue from that goes to the Government except the excess above the 80 per cent that is exported?

Mr. COOPER. Yes; except the part that goes into snuff.

Mr. GAINES. If they were allowed to sell it in the hand, as you have described, or twisted, it would supply a demand at home that is not supplied, and could be, ultimately, even in the twist or in the hand, manufactured and be made into smoking or other tobacco where the tax does attach?

Mr. COOPER. Yes, sir.

Mr. METCALF. You say the tax on the tobacco is 6 cents a pound?

Mr. COOPER. Yes.

Mr. METCALF. Suppose the tax to the farmer selling it in that shape was reduced to 4 cents or 3 cents a pound?

Mr. COOPER. The effect would be the same. I would just as soon have it 12 cents as 6.

Mr. METCALF. Supposing it should be reduced to the producer of the tobacco from 6 cents to 3 cents?

Mr. COOPER. That would not be the relief we want. In getting stamps you have to pay the money for them. We have not the money to pay for the stamps to comply with the regulations and with the law.

There is no other product of the soil, except tobacco, in the United States that bears the burden of a direct tax, and we feel that we should be relieved from it.

Mr. HILL. The purpose of the Government is to get back to the original article and trace it all through its various processes of manufacture to prevent fraud on the revenue.

Mr. COOPER. Yes, sir.

Mr. HILL. In making that up into smoking tobacco it is not the purpose to tax the farmer, but the finished product, and in order to be sure that the manufacturer of smoking tobacco is not defrauding the revenue they compel him even to have the tax paid when it leaves the original grower's hands. You want to shove the process up one point, and let the original grower do what he pleases with the tobacco to start with, but you have no way of controlling the supply, which the manufacturer ultimately gets then, have you?

Mr. COOPER. No, sir.

Mr. HILL. You absolutely have to trust to his honesty. A man could buy your tobacco now, and when he buys it the tax has been paid. There is the difficulty. How will you get out of that difficulty? I do not think anybody would have any particular objection to relieving the primary tax at all and giving them the benefit of the primary market, but how will you control the matter to see that the Government is not defrauded? How is the Government to follow the article?

Mr. COOPER. Whenever tobacco is granulated or fine cut, then put your tax on it—that is, when it is changed from its original form. Whenever it has any foreign ingredient in it, then put your tax on it.

Mr. HILL. I do not think you quite catch the point. The man who goes through that process buys taxed tobacco.

Mr. COOPER. Oh, no, sir.

Mr. HILL. Does he not?

Mr. COOPER. No, sir; he pays the tax after he buys it.

Mr. HILL. It is taxed when it is sold to him?

Mr. COOPER. You pay it when you manufacture it. You buy your revenue stamp after it is put in the boxes. The farmer does not pay it.

Mr. HILL. No; but the man to whom the farmer sells it has to pay the tax?

Mr. COOPER. Yes.

The CHAIRMAN. Do you not lose two things in shoving the tax up one notch, as has been suggested? You lose one tax, and you lose—

Mr. HILL. You probably would not lose the tax on 80 per cent of it, because it is exported and you get none.

The CHAIRMAN. You lose one tax on what is now taxed tobacco, and also the Government's security for its revenue.

Mr. HILL. That is the very point that I make.

Mr. GAINES. I do not agree with either of you. If the chairman will bear with me for just a moment—this tobacco that we have before your eyes is all exported except about 10 per cent. If you let the growers stem or twist it and sell it to their neighbors, you keep that tobacco here at home and it would not be exported. The result is that it will not be so easy to buy it to export, and the price will be raised while in the producers' hands.

Suppose I sell that tobacco to Mr. Hill, and he would stem it or twist it. He would possibly buy a hogshead of it, and get tired of using it, and sell it to Dalzell & Co. Then Dalzell & Co. would then have to pay a tax on it when resold, and if you do not allow the farmers to do what I want to you to do, that would never get to the manufacturer at all. It is about all sent abroad—80 or 90 per cent. But if you change the law, it may come back to our own manufacturers in time, who will have to pay a tax of 6 cents when they manufacture it. Allow free trade in leaf tobacco and "any person" and all persons buy, sell, and so on, which includes the manufacturer, who would buy to manufacture and pays tax on his goods when made into the finished product.

Mr. METCALF. Would it not supplant, then, other tobacco in the American market?

Mr. GAINES. It would give the farmer a chance—liberty of action—to compete with the great giant trusts that now control the price of tobacco, crushing the grower.

Mr. METCALF. The farmer would develop a home market, and would it not supplant other tobaccos and decrease the revenue to that extent?

The machine-made tobacco would compete with handmade tobacco, which would be some competition and relief, although the machine-made might undersell.

Mr. GAINES. That is the only sort grown in that country. The farmer can not peddle the tobacco into nonproducing tobacco countries. He has to stay on his farm. If you allow him to barter it, it produces a home trade, keeps the people busy in a country where there is no money, practically (because these people are practically bankrupt now). In addition to that, it will give a competitor in the dark tobacco market with the man who is buying that tobacco to export. As it is, he gets it all. If you will let this stemming and twisting be done as we want it, we can sell it to Mr. Hill, for instance, and he can sell it to the manufacturer, and when he puts his hand on it and manufactures it he has to pay a tax of 6 cents per pound for the finished product.

The CHAIRMAN. Is there anything more, gentlemen?

Mr. COOPER. No, sir; except that I wish the committee to hear this petition:

We the tobacco growers and dealers of Kentucky and Tennessee, in convention assembled at Guthrie, this the 28th day of January, 1904, do hereby petition and most respectfully represent:

That in the midst of the vaunted prosperity said to be deluging the other parts of our blessed country, the tobacco-raising sections are in the very throes of calamity, the people hard up, farm laborers in want, nobody prospering, everything languishing.

That the effect of the revenue laws relating to tobacco has been to bring to the verge of ruin one of the richest countries God has made, destructively damaging to landlords and farmers, distressingly impoverishing to tenants and laborers, by placing it within the power of buyers and corporations to fix the price and combine to

control it; that no other country in the United States has been so oppressed, having its natural fertility and wealth-producing powers rendered nil; that no other product of the soil is thus taxed and singled out for trusts to prey upon; that no other people are ground to powder by permission of the law.

That the effect of the law is to destroy competition among buyers and limit the growers' market; that if the grower were permitted to stem and twist his product and sell it in any quantity anywhere, in any quantity to anybody, he could thus reach the consumer and there would result a wider market, competitive demand, and living prices.

That under the prevailing system the grower can only sell a small quantity in the hand; that all the people about him to whom he might sell are growers like himself, or nearly all, and therefore he has no one to whom he might sell; that the small quantity he might sell would not justify him going into nontobacco regions to find customers; that he therefore has no one else to sell his crop to except the combined agents; that there is no longer competition in buying, the leading tobacco markets of the world have been abandoned by the army of buyers and agents from abroad, from all the principal countries of Europe, who sat daily around the tobacco boards and bid against each other; that the auction rooms are dismantled and abandoned, and where activity and prosperity once surged is now desolation and emptiness; that a few buyers for corporations, all in combination, alone remain to fix the price and take as much or as little as they wish; that there is no one else to whom they may sell—no exemption, no rivalry—and the result is that prices rule barely above the starvation point.

That the revenue law is directly responsible for this by depriving the grower of the right to sell his product to consumers stemmed and twisted into a shape that can be handled and used and in amount that would be any considerable part of the country's product; that to take off the handcuffs and allow them to stem and twist and sell it without limitation will create competition and bring tobacco to its worth.

That it is demonstrable, at least in the tobacco regions that we represent, that this suggestion will not decrease the revenues; but even if it does, even if it cost millions, is the Government warranted in punishing its people for revenue? Is it fair and just to select us from among all other tillers of the soil for unmerited punishment through unjust taxation?

Therefore we earnestly petition and pray the Congress of the United States to so amend the revenue laws as to permit any person (farmer, merchant, or dealer) to sell leaf tobacco in the hand, leaf tobacco stemmed, leaf tobacco stemmed and twisted, not mixed with any foreign ingredient or flavoring, to the consumer or to the trade in any quantity free of any tax whatever.

F. G. EWING, *Chairman.*

R. E. COOPER.

F. W. DABNEY.

W. F. FLOWERS.

C. C. REYNOLDS.

J. W. DUNN.

C. P. WARFIELD.

Mr. COOPER. It would very greatly improve our condition if we could sell probably one-tenth, or one-fifth, or one-fourth of our tobacco to the home market. If we could get up the same board of buyers that we had under the old system, there would be competition, and the trusts would have to pay more for the tobacco that they bought. The trusts control the export part of our market now. You will force them, if you do what we ask, to pay more for what they export, and it would affect the revenue but very little. I believe in the course of time the people of this country will become accustomed to chewing tobacco in this shape [exhibiting sample]. At present it is put up in glucose and licorice and molasses, and a number of articles are put in it. I have been in the manufacturing of it a little bit myself.

Mr. HILL. Is that pure [indicating one of the samples of tobacco]? Is there nothing in it except tobacco?

Mr. COOPER. No, sir; I took a chew of that myself.

Mr. BARKER [indicating one of the samples]. That was put up for my personal use. There is a little peach brandy in it. It was put up for my own consumption. [Laughter.]

Mr. COOPER. You see, gentlemen, to give us this outlet would make us more independent. At present, when Mr. Smith says to me, "If you can not accept this price, why, just keep your tobacco," then there is nothing for me to do. If you do what we ask, then I could go and box that tobacco and get something for it through other agents down through the lower countries, especially through the South, where we have cheap labor, and largely colored labor, that can not buy their chewing tobacco at from 40 to 80 cents a pound. We would be glad to sell that tobacco at from 15 to 20 cents a pound, and that would be a pure article. They will chew natural tobacco then, and I believe that physicians will bear me out in the statement that the injury, if there be any, from tobacco is from the ingredients that are put into it and not from the tobacco itself.

If you will give us an opportunity we are going to make the fight with the American Tobacco Company. If you will only unfetter our hands we will make the fight ourselves, and we believe that it will be a very great benefit to us.

While 80 to 90 per cent of this dark tobacco is exported, if we could put in 10 per cent of it at home it would greatly relieve the present conditions.

If you could make a trip through southwestern Kentucky and Tennessee you would realize the horrible condition of the neighborhood and the tenants, made up of white labor and colored labor.

Mr. GAINES. Can they pay their tobacco land rent this year?

Mr. COOPER. No, sir. There are numbers and numbers of cases where a man's lot of tobacco does not pay any rent at all.

Mr. GAINES. Mr. Stanley's secretary, Mr. Hall, said the other day that there was "not a tobacco tenant on his farm of several hundred acres that could pay his tobacco rent this year; not one."

The CHAIRMAN. We will have to stop the hearing at this point, as the House is in session.

Mr. W. W. KITCHIN. Can we meet this afternoon?

Mr. GAINES. There are four or five other witnesses in this matter who have come a long ways to be heard.

The CHAIRMAN. Very well; we will meet again at 1 o'clock.

Mr. JAMES. I have some petitions here from the farmers of my district which I would like to embody in the hearing.

The CHAIRMAN. Very well; they may be made a part of the hearing. (See p. 64.)

Thereupon (at 12.10 o'clock p. m.) the committee took a recess until 1 o'clock p. m.

AFTER RECESS.

The subcommittee met at 1 o'clock, Hon. John Dalzell in the chair.

STATEMENT OF MR. JOHN S. CUNNINGHAM, OF NORTH CAROLINA, PRESIDENT TOBACCO GROWERS' ASSOCIATION OF NORTH CAROLINA.

The CHAIRMAN. Now, Colonel, we are ready to hear you.

Mr. CUNNINGHAM. Mr. Chairman and gentlemen of the Ways and Means Committee, I am very glad to have the opportunity of saying a few words to you gentlemen. I am from the Hon. W. W. Kitchin's district, and I have the honor to be the president of the tobacco

growers' association of my State. The speech of Mr. Gaines has covered the ground very fully as far as many facts are concerned in regard to the bill he introduced for the relief of the tobacco growers.

My chief object, gentlemen, in appearing before the committee is to tell you, Mr. Chairman and gentlemen, the condition that existed in the tobacco-growing States prior to the tax and prior to these numerous bills which have been passed by Congress, and I want to say this to you, gentlemen, that as the matter now stands in the tobacco-growing States, not only of the South but of the West and in some of the States that grow tobacco in the North, there is absolutely no competition. Fifteen or twenty years ago—you take, for instance, the Danville market, in Mr. Swanson's district—and they had scores of independent buyers, leaf dealers, but under the existing laws at the present time they have only a few buyers on the Danville market, a few buyers on the Lynchburg, and a few buyers on the Durham, and Winston, and Norfolk, and other markets of my State, and I understand that the same condition exists in other tobacco States.

Mr. Chairman, some years ago in the city of Danville and in the city of Lynchburg there were from 30 to 40 tobacco factories at each one of those cities, and there were tobacco factories throughout the little towns and throughout the country in all the districts; and you take my county—the county of Person—one of the best tobacco-growing counties in the United States, and I had the honor to take the gold medal and the first prize for the best bright tobacco grown, at the exposition in 1900. Some years ago we had a great many factories in that county and throughout the county towns and throughout the country districts. But you take the counties that adjoin my county, as well as my own, and you take the county of Halifax, Va., one of the largest bright-tobacco counties in the South, and I do not think they have a single bright-tobacco factory in that county. They have none in Danville and none in Pittsylvania County, and the object of the Gaines bill, as far as I can see, is to bring about a competition—is to put the country in such a condition that the growers of tobacco, that the American farm laborers, can make a living.

We hear and read so much about the American farm laborer, "the man with the hoe," and I can say to you in spirit and in truth, gentlemen, that there is no section of this Union that is more loyal to the Union than Virginia and North Carolina and the tobacco States of the South; and I want to say to you gentlemen that the lands have gone down so low that nobody wants to buy them; that the negroes are leaving our country because the wages which they receive are insufficient to support them.

MR. GAINES. Are the negroes tobacco growers?

MR. CUNNINGHAM. Yes, sir.

MR. GAINES. As tenants, or how?

MR. CUNNINGHAM. They are tenants, and a good many of them have their own houses and farm themselves. A great many are hired, a great many are croppers, and a great many are tenants.

MR. GAINES. Are they quitting this tobacco raising?

MR. CUNNINGHAM. Thousands of them.

MR. GAINES. Why so?

MR. CUNNINGHAM. Because they do not make enough out of it.

MR. GAINES. I think that is the case down in Tennessee and Kentucky. I am so informed by many growers.

Mr. STANLEY. I would like to have you explain to the committee what you mean by "hired labor" and "croppers." You spoke of the tenant and the hired laborer and the cropper, and they have been spoken of here by others, and I would like you to explain to the committee what you mean by each one of those terms.

Mr. CUNNINGHAM. The hired laborer—

Mr. METCALF. The cropper is the one who rents on shares?

Mr. W. W. KITCHIN. And the tenant is one who gets three-quarters of the crop instead of a half. In the case of the cropper—

Mr. STANLEY. What we call up North farming on shares.

Mr. CUNNINGHAM. That is what we call a cropper.

Mr. W. W. KITCHIN. Farming on shares?

Mr. GAINES. You say that the negroes are leaving the tobacco farm?

Mr. CUNNINGHAM. Yes, sir; they are going where they can make more money. They are going to the coal mines and places where their labor is worth more.

Mr. GAINES. Lots of white people are croppers, and they are quitting too?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. That is exactly the case in my country.

Mr. W. W. KITCHIN. Is that your personal experience as well as your observation?

Mr. CUNNINGHAM. Yes, sir.

Mr. W. W. KITCHIN. I believe that Mr. Cunningham has the reputation of being the largest bright-tobacco grower in the country, certainly in my part of the country—in my part of the State.

Mr. CUNNINGHAM. Now, as to hired labor, as I understand it, gentlemen, in Virginia the man who owns the land pays the man who works it so much wages, so much money, usually, and he gives him so many bushels of corn and so many bushels of wheat, and as many pounds of meat, and gives him a pasture for his cows and hogs. That is usually the rule where we hire—that is, we have got to furnish everything—the land, the teams, and the tools—and they take out what is called one-fourth, and go halves, and then the landlord gets five-eighths and the tenant gets three-eighths. Where the tenant furnishes everything except a fourth of the fertilizer the tenant gets six-eighths and the owner of the land gets two-eighths. Mr. Swanson, there, is a farmer, and he knows those things are true in Pittsylvania County. In fact, I believe all the Congressmen down in my section of the State are farmers. They always say so in their campaigns. [Laughter.]

Mr. STANLEY. What are the changes in condition with reference to the tobacco crop which is produced; these changes that you say are now going on? What is the change from fifteen years ago?

Mr. CUNNINGHAM. I think, Mr. Chairman and gentlemen, that the change is owing to the fact that the competition which we had some years ago has been absolutely destroyed. You take this Rigi contract from Italy and Austria and France. They send a few men over here and price the tobacco, and if the tobacco costs 6 cents to grow it, they price it at 7, and you can not get any more, and if you only get enough to pay the fertilizer bill and your bill for labor and the tenant's share thrown in, you can not get any more, and you are absolutely in a helpless condition.

You take it a number of years ago and we had a great many buyers from England who came to this country to buy the tobacco grown by

the tobacco farmers of this country. What is the condition to-day? The great factories of England have combined in what is known as the British Imperial Tobacco Company, and those gentlemen, as you know, are not going to pay any more for their tobacco than they are compelled to. That reminds me of the story of a man that went in with a load of tobacco to sell, and when they told him that the tobacco would not pay the ——— they said, "When you come back a week from now, you bring us a rooster and pay up this quarter's charges." So in a week Mr. Smith came back, and he had a basket on his arm, and in the basket he had two roosters. So the man said to him, "Why, Mr. Smith, how is this? You don't owe me but one rooster." "Oh no," says Smith, "but I brought you another load of tobacco."

The CHAIRMAN. How do you account for this condition of things?

Mr. CUNNINGHAM. I account for it by the fact of this tobacco tax, as has already been stated to you here so clearly by Mr. Gaines, and of these rulings here made by the Department requiring you to put up so many packages, so many ounces to a box and so many ounces to a package and a bale, and a box of snuff, and the farmers of my country do not know anything about it. I have been in the business all my life and I do not know anything about it, and I do not understand it after having been in the business all that time and having read these bills providing for so much bond and so much tax.

If the farmers were permitted under this bill to manufacture their tobacco free of tax they could then take their own tobacco and twist and stem it and selling it without paying this tax, make not only some profit on the tobacco grown on the farm, but also some profit out of twisting this tobacco. It would at least put the tobacco grower in the southern country in a position to make something; and I want to say to you gentlemen—and these Members of Congress from the section in which I live will bear me out in it—that the lands have gone down; that the negroes are leaving the country; that the white people are leaving the country.

Why, the idea of a sensible young white man staying in my country and working on the farm is ridiculous. You do not find one who does it. They are all leaving for the cities and towns, and the negroes of the country are going to the railroads and the coal mines and the cities and towns; and such a thing as immigration coming to our country is unheard of. And when you gentlemen talk about developing Alaska, and the Philippines and Porto Rico, and all these far-off countries, we ask you gentlemen to come and look at this great country that stretches from the Potomac to the Rio Grande, and help us to develop that. There is no tax on the grain fields of the West, there is no tax on corn, and no tax on wheat, and no tax on cotton.

The CHAIRMAN. You think there ought to be no tax on tobacco?

Mr. CUNNINGHAM. I absolutely think so, sir. I think it would be the greatest thing that could happen to our country if it should be taken off, and if Congress does not think that they could give up this——

Mr. W. W. KITCHIN. If you will permit an interruption, the national platform of the Republican party in 1884, I think it was, denounced this tax on tobacco, and said that it was a burden on agriculture, and that is the unanimous opinion.

The CHAIRMAN. Does it have any influence on the land?

Mr. CUNNINGHAM. You can not use it for anything else.

The CHAIRMAN. You can not use it for a diversified crop?

Mr. CUNNINGHAM. No, sir; not the tobacco land.

Mr. GAINES. The reason why foreign countries are not allowing people to raise tobacco is that it ruins the productiveness of the soil. It is a drastic growth, and it has gotten so that it is raised and raised, and you must fertilize regularly, which absorbs your profits.

The CHAIRMAN. This tax and these regulations of which you complain are how old? How long have they been in existence?

Mr. CUNNINGHAM. The tobacco tax, as you know, was put on during the war, to raise revenue for the Government during the war.

Mr. GAINES. That was in 1862. It was a war measure, and Mr. Morrill said it would be temporary.

The CHAIRMAN. These regulations you speak of—I rather got the idea from you that they were modern.

Mr. CUNNINGHAM. I think in 1894 there was a bill passed here in regard to stemming and twisting tobacco. I think it was in 1894.

The CHAIRMAN. Go on.

Mr. GAINES. I think I have here the first provision that ever was suggested in the House on the subject. It was March 28, 1862, that this parent clause came into the House, and by order of the committee was stricken out. It read, "On tobacco, leaf or stem, unmanufactured, 3 cents, but the payment of this duty shall not exempt tobacco from a further duty when manufactured." This was stricken out by order of the committee and the tax transferred to manufactured tobacco in the next clause. (Globe, p. 1439, 2d sess. 37th Cong.)

The CHAIRMAN. Proceed, Colonel Cunningham.

Mr. CUNNINGHAM. As I stated a few minutes ago, Mr. Chairman, competition has been absolutely destroyed in the tobacco business. Of course those foreign nations, the continental nations of Europe, want to buy our tobacco just as cheap as they can, and they come here and buy the farmers' tobacco below the cost of production and take it to Austria and France and Italy and Spain, and those countries are making millions and millions of dollars a year off the manufacture of this raw material, and the tobacco producers of the United States are making nothing; and their lands have gone down, their labor is leaving the country, and a great many of them in districts where we have the public school system are unable to pay their taxes and unable to provide their children with suitable clothes to go to school and to church.

I wish that this committee could come down to my country in that tobacco section. I would take pleasure in entertaining this committee at my house. We are living in that old section there of North Carolina where my grandfather founded, in 1795, when General Washington was first President of the United States. My grandfather, a Scotch-Irishman, settled in that country then and we have lived there ever since, and I will tell you I would like to see the condition of affairs existing in this country, by the help and through the help of the Congress of the United States, that would aid and assist to build up our section.

I do not mean any reflection upon old Virginia, because she is a grand old State, the land of States and of statesmen. There is not a gentleman here, Mr. Chairman, who is not acquainted with the history of Virginia. But what I refer to now is the agricultural condition

which existed some years ago and which exists at the present time. You take from Richmond to Lynchburg, and from the city of Washington to Richmond, and from Richmond to Norfolk, and from Danville to Richmond, and travel that section, gentlemen, and that entire section is almost absolutely unsettled and uncultivated. You can not get immigration to come to a country where the negro race and the poor white people are unable to make a humble support, and my object in appealing to you, gentlemen, to-day is in the interest of humanity, for humanity's sake.

Mr. Gaines has given you the facts and figures in this case regarding these taxes levied by the Government; he has presented to you the laws passed by the Congress of the United States, and I deem it unnecessary to go over that ground, but I want to ask you, gentlemen, if this bill is not a satisfactory bill, after you know the facts in this case, the depressed conditions of the tobacco farmers, of the American farm laborer, and the tobacco States, I believe that you have it in your hearts, and you have got the brains to do it, and the understanding sufficient to do it, to frame a bill and pass a bill that will benefit and help the tobacco farmers of the tobacco States.

Mr. GAINES. Now, will you pardon me; will you tell me how you would benefit the farmer; in other words, how would you remove the evil about which you so well talk? How would you do it? You have read this bill and that bill, and——

Mr. CUNNINGHAM. I would repeal it.

Mr. GAINES. How would that operate as to the revenues?

Mr. CUNNINGHAM. I do not think it would hurt the revenue a great deal, but I think it would help the tobacco farmers, because it would bring about a competition that does not exist now.

Mr. GAINES. In other words, the tobacco grower would stem and twist his tobacco, the pure tobacco or natural leaf, which is not doctored, there is no licorice or anything in it?

Mr. CUNNINGHAM. No, sir.

Mr. GAINES. We do not ask Congress to let the farmer put the licorice or any sweetening into it. Is not that so, Mr. Warfield? Then the grower wants his agent to sell and deliver the growers' leaf. The grower must deliver under the law?

Mr. WARFIELD. Yes, sir.

Mr. GAINES. Now, the tobacco manufacturer puts all this sweetening in it—licorice, etc.—and the tobacco stemmed and twisted by the grower would be pure tobacco, so that you could very easily distinguish one from the other. One is pure tobacco; the other is "doctored." Now, if you would pass either of these bills it would give the farmer a chance to compete with the trusts that have broken up all this competition?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. How large is the average farm?

Mr. CUNNINGHAM. About 5 or 10 acres; about 25,000 to 50,000 tobacco growers.

Mr. W. W. KITCHIN. That is the average amount of tobacco cultivated.

Mr. STANLEY. How much can the average man cultivate?

Mr. CUNNINGHAM. About 3 acres.

Mr. STANLEY. When you say one man cultivates that much, do you mean that he cultivates it by himself in your country, or do his wife and children help him?

Mr. CUNNINGHAM. His wife and children help him.

Mr. STANLEY. It is the custom in your country, as well as in my own, when a man pulls the plants out of the bed and in planting and hoeing them for the women to do as much work as the men?

Mr. CUNNINGHAM. Yes, sir.

Mr. STANLEY. Now, he can raise about 3 acres?

Mr. CUNNINGHAM. Yes, sir.

Mr. STANLEY. On that 3 acres of tobacco how many days in the month in a year does he work on the tobacco? Is it a year's crop, like it is with us on other crops? It is a year's work?

Mr. CUNNINGHAM. Yes, sir.

Mr. STANLEY. Hard work every day?

Mr. CUNNINGHAM. Yes, sir.

Mr. STANLEY. And two-thirds of the time his wife and children work with him?

Mr. CUNNINGHAM. Yes, sir; two-thirds of the time in cultivating the crop his wife and children help him.

Mr. STANLEY. How much will he get at the end of a year—how much money at the end of a year's time, on his share of that crop?

Mr. CUNNINGHAM. That depends on whether the man is hired, or is a tenant or a cropper.

Mr. STANLEY. If he were a cropper how much would he get?

Mr. CUNNINGHAM. If he was a cropper and furnished everything he would get three-fourths. If he did not furnish everything he would get about three-eighths.

Mr. STANLEY. That is, a man working on three-eighths of the crop, how much money would he get?

Mr. CUNNINGHAM. How much money would he get out of the crop after he sold it?

Mr. STANLEY. Yes.

Mr. CUNNINGHAM. That would be pretty hard to say.

Mr. STANLEY. How much does it bring a pound?

Mr. CUNNINGHAM. On the Danville market for six to eight years it averaged about 6.6 cents.

Mr. STANLEY. How much is it bringing now?

Mr. CUNNINGHAM. Last fall 4 cents.

Mr. STANLEY. How many pounds to the acre?

Mr. CUNNINGHAM. We usually raise about, I would say, 600 pounds.

Mr. STANLEY. That is 1,800 pounds on 3 acres. You get three-eighths of 1,800 pounds at 6 cents?

Mr. CUNNINGHAM. Yes, sir; 6½ cents; that is \$108.

Mr. STANLEY. He would get three-eighths of \$108; about \$40?

Mr. CUNNINGHAM. Yes, sir.

The CHAIRMAN. This land on which you grow cotton will grow other crops, will it not?

Mr. CUNNINGHAM. Yes, sir. It will not produce other crops as well. Tobacco is hurtful to the soil, and when you raise it much, the land will not produce much else very well. Of course in the lowlands we have on the rivers and creeks we have land that produces corn very well, and then, of course, sometimes we will have a freshet that destroys that crop.

Mr. STANLEY. The agricultural report will show that. You take a tobacco stem and burn it and see the saltpeter burn, and you have to restore those ingredients which the tobacco takes from the soil by powerful fertilizers.

Mr. GAINES. My understanding of this is that as it is the farmer is compelled to sell to practically one party, the tobacco trust?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. The tobacco trust is cooperating with the foreign tobacco trust, which represents not only the Rigi contract of these monopolistic organizations, but also represents the manufacturers of cigarettes and tobacco here at home. Now, if you give the farmer a chance to stem and twist his own tobacco, you compete not only with the man who comes to buy that up, with the tobacco trust, who buys it for the purpose of making it into cigars and cigarettes at home here. As it is, the tobacco grower is compelled to sell to one or the other or not sell at all. Is not that true?

Mr. CUNNINGHAM. I think so; yes, sir.

Mr. GAINES. Have not these monopolistic concerns done away with these warehouses and factories?

Mr. CUNNINGHAM. They have done away with the factories almost entirely.

Mr. GAINES. And with the warehouses?

Mr. CUNNINGHAM. The warehouses do not amount to anything.

Mr. GAINES. Two-thirds of that that we send to Europe is manufactured in this country?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. Now, if you let the farmer stem and twist it, he will sell it here in that condition?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. And then, whether in a large or small amount, it can be sold to the home manufacturers?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. Yes, sir; and when it goes to that manufacturer, then he has to pay a tax to manufacture it, does he not?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. So that the Government would get the benefit of getting some revenue from this tobacco if the change is made we desire?

Mr. CUNNINGHAM. Yes, sir.

Mr. GAINES. And as it is, the Government gets none?

Mr. CUNNINGHAM. Yes, sir.

Mr. SHERLEY, of Kentucky. Would it be satisfactory to the tobacco growers if the tax was removed on simple-twisted tobacco, and removed not only when the tobacco was twisted by the grower, but also by the manufacturer?

Mr. WARFIELD. You would not want the manufacturers to twist this tobacco?

Mr. CUNNINGHAM. Yes, sir.

Mr. STANLEY. In all the section which I represent, which is the entire dark-tobacco section—I do not mean as a Member of Congress, but I mean Mr. Gaines's section, the dark-tobacco section—we would be satisfied with much less than that. They will be entirely satisfied if you take the tax off of leaf, and take the tax off of twist when you raise the tobacco.

Mr. GAINES. That is my bill.

Mr. METCALF. You refer to the North Carolina and Tennessee tobacco for smoking or chewing purposes?

Mr. CUNNINGHAM. Yes, sir.

Mr. METCALF. Any other kind? What other States raise that kind of tobacco?

Mr. CUNNINGHAM. North Carolina, Virginia, South Carolina, and some of it in some parts of Tennessee and some parts of Kentucky.

Mr. GAINES. Wisconsin raises it—about 70,000,000 pounds last year.

Mr. CUNNINGHAM. Wisconsin?

Mr. GAINES. And there is a big factory up in Pennsylvania?

Mr. CUNNINGHAM. Yes, sir.

Mr. SHERLEY, of Kentucky. The point I wanted to ask you about, as a practical tobacco man, was this, Whether the farmers would be able to compete and would be satisfied with the conditions if the tax were taken off of simply twisted tobacco, not simply that the farmer gets it off, but to let it apply equally to all men, and have simply no tax for the twisting of tobacco?

Mr. W. W. KITCHIN. And unmedicated?

The CHAIRMAN. No tax on twisted tobacco?

Mr. SHERLEY, of Kentucky. Yes; as I understand it this bill applies simply to the grower.

Mr. CUNNINGHAM. Yes, sir.

Mr. SHERLEY, of Kentucky. Now, what I want to know is, if you think it would give any relief if I bought the tobacco from you as a farmer and twisted it and sold it in that community, manufacturing it to the extent that I am twisting it, but not to the extent that I am doctoring it?

Mr. CUNNINGHAM. I have not thought of it sufficiently to give you a definite answer. I would not like to make a statement on that unless I was sure that I was correct about it. I will think about it, and tell you what I think of it. You know I am a farmer, and I do not talk much, and you all must excuse me. I am very much obliged to all the gentlemen here for the attention they have shown me, but when anybody talks while I am talking it confuses me, and I am not a lawyer and it always frightens me very much when I get up to speak.

The CHAIRMAN. We have been very much interested, Colonel.

Mr. CUNNINGHAM. I want to say just a word more and I am through. Mr. Chairman, you hear a great deal of talk in this country about the trusts and the Rigi contract and the British contract. Now, every gentleman on this committee and in this room knows that when bills are passed by Congress to help the trust, or the Rigi contract, or the British Imperial Tobacco Company of England that they are going to take every advantage they can think of to make money. They incorporate them and have charters and they pay their taxes to the Government, and if they can make millions and hundreds of millions out of it and leave the tobacco farmers of the tobacco States in an impoverished condition it is their lookout. Mr. Chairman, the tobacco companies of this country and England are not the trustees and guardians of the tobacco farmers; but I will tell you the Congress is—the members of the Senate and the Members of the House here are the trustees and the guardians of the people of this country.

I remember some years ago that this insurance company, known as the Southeastern Association, put up the rate in North Carolina 1½ per cent, and in Virginia the highest rate was 1 per cent. I went to Richmond to see the agent of the Southeastern Association about it, and I told him that it was oppressive to the people of North Carolina. Well, he said all he had to say was that they had fixed that rate

and it must stand. Well, now, I told him it was oppressive to our people and I considered it an injustice to our people. "Now," I says, of property right across the line in Virginia, I am going to call the attention of the next legislature of our State to this matter." "Well," he said, "yes; you would stand a fine showing to do anything before the legislature. We have \$250,000,000 of capital, and we will send a great crowd down there to run it, and what would you amount to with the Southeastern Association with its \$250,000,000 and all of our men who would come down there?" "Well," I says "I don't know whether I would amount to anything or not, but I am going to try it."

And when the legislature met the next winter I got up the figures and I went down before the committee of the legislature, and the legislature passed a bill unanimously in the house and unanimously in the senate that they must cut their rate down in North Carolina 50 per cent.

Now, we come and tell you gentlemen the bad condition of the tobacco farmers in the tobacco States. We do not come here and ask the trusts, we do not ask the gentlemen who represent the Rigi contract, we do not go to England and ask the King and the Parliament as to what they have got to say about it, because they do not want a change if they are making money out of it. They are not looking after us, but you gentlemen are looking after us.

The Spanish war showed that this is one great country. The Spanish war showed that the people of the South were as loyal to the flag as they are in Massachusetts or California or anywhere else. So I feel when I come to speak to you gentlemen, who are from every part of this country—North, East, South, and West—it is just like we all of us would sing that good old song, "Home, sweet home," and we would all join in; and so I am speaking to you gentlemen in the interest of humanity, for humanity's sake.

Mr. Gaines has presented the figures to you, and the facts, and the bill passed by Congress, and I do not propose to go over that ground. Now, one thing more, Mr. Chairman, and, if you please, I am through. It will be urged by some that tobacco is a luxury; that it does not come under the heading of taxation, as wheat or corn, which are necessities. I grant you that tobacco is a luxury, but why should the tobacco farmer raise a luxury for others and not receive a reasonable support for himself and return for his labor? Our lands are not suited to the raising of grain, as are those of the West, or the raising of cotton, as the lands are in the South. They were created by God Almighty for tobacco, and they are fit for little else, and we of this section produce almost all the tobacco.

Why should the tobacco farmers be forced to sell their product to foreign countries for 4 cents a pound, which the foreign countries manufacture and sell for 50 cents a pound, or whatever price they choose? These combines and foreign states send their representatives to our tobacco markets, where they set the price of tobacco, oftentimes below the cost of production, and pay what they agree among themselves, regardless of the producer.

And now, Mr. Chairman and gentlemen, I am through. There are many other things which I could say along this line, but I do not propose to impose upon the patience of you gentlemen.

MR. GAINES. Tobacco using is a luxury, but tobacco raising is not a luxury, is it?

MR. CUNNINGHAM. No, sir.

STATEMENT OF CHARLES H. FORT, PRESIDENT OF THE TOBACCO GROWERS' ASSOCIATION OF THE UNITED STATES.

Mr. FORT. Mr. Chairman and gentlemen of the committee, I am glad to be before you. I want to say that I am no speaker. I am an humble farmer. I was raised on the farm and have made tobacco all my life. I know nothing else, and I know nothing about the statistics and facts these gentlemen are getting up here, but I do know the hardships that have been brought on our people.

Mr. STANLEY. I just want to get you to say to this committee, because you raise the same tobacco as there is in my district, the amount of work that is necessary to produce a crop of tobacco; the amount that one ordinary tenant, working with his family, would produce to the acre, the work necessary to do it, and the price that tobacco would bring under present conditions. Just take your time and state that to the committee.

Mr. GAINES. In the course of your remarks as you go along, just as you please.

Mr. FORT. Thank you, gentlemen. I do not know anything but to raise tobacco. We had one of the biggest meetings the other day that we ever had in our country, and we worked all day in getting up the statistics of what it cost our farmers in Robinson County to make a pound of tobacco, and we decided that it cost us 6 cents a pound. Before these trusts came in there we had the advantage of the balance of the counties of this district, and we have sold tobacco as high as 20 cents a pound. I have one neighbor close to me, and this Regie contractor offered him a price one afternoon, and I telephoned him and tried to get him to sell his crop of tobacco, and he said, "I can not do it; I have to consult my tenants and hired hands and men who raise tobacco on shares." In our county we work mostly colored labor, and we give them half of the tobacco and corn they raise. We furnish all the land and all the stock and tools and we furnish them a house to live in and furnish them all the fertilizer and then give them half of what they make.

Well, now, this agent came along and offered this gentleman a price for his tobacco, and he could not take it until the next morning. Next morning he went to close out the trade with this agent, and the agent would not take it, and he knocked him down \$100. Of course he could not take that until he had consulted again with his people, and when he went back the agent knocked him down again; and in the next three weeks he knocked him down \$250. We have our hands tied down there and we can not do a thing.

Mr. GAINES. Who does this knocking?

Mr. FORT. The "Regie" contractors.

Mr. STANLEY. Tell this committee how many acres of tobacco land a man can cultivate.

Mr. FORT. Three acres is, in our country, a good crop for one hand.

Mr. STANLEY. Just describe it like you see it on your place.

Mr. FORT. We have croppers. I do not work anything but negroes on my place, and they have women and children, and they all work, and manage to work about three acres to the hand—that is, the man. Now, you may not know it, but tobacco is the most slavish crop—and the dark tobacco is the worst—in the United States, without exception. We have to work fifteen months in a year on a crop of tobacco.

I have my last year's crop of tobacco in the barn now, hung up, just like that leaf that you have there, and we have to work from sunup until sundown, fifteen hours a day.

Mr. GAINES. Do you have to worm your tobacco very much?

Mr. FORT. Sometimes the worms are so bad that you can not cultivate an acre, if the worms get as bad as I have seen them. The result is that the crop is eaten up.

My brother and I own our farm in partnership, and he was down in Mississippi several years ago working on a levee contract, and I was staying on the farm, and I sent some tobacco down there to him, and if this tax had been removed from this tobacco we could have sold our entire crop for 15 to 20 cents a pound, and as it was we sold it for 5 cents.

Mr. GAINES. What do you mean by "twist?"

Mr. FORT. Without any medication at all.

Mr. GAINES. The way the manufacturers sell it now, they put some sort of medication in it?

Mr. FORT. Yes, sir. I will explain to you why we can handle it and why we want to be able to handle it and make it into a twist and stem it ourselves. When the rainy days come the tobacco leaf is moist and pliant, and you can take it and twist it or roll it or do anything that you please with it—make cigars out of it, or anything—and you can take the stem out of it and twist it, in this way [indicating], or you can do anything you like with it at all.

I would like to answer the question of the gentleman over there. We are not fighting any trust. We want competition. We need competition. This thing has gone on down in our country until we have only one or two buyers there, and they actually have the territory prescribed and limited and laid off until there is one of my neighbors who had a barn full of tobacco on one side of the road and another barn full of tobacco on the other side, and a buyer came there and he offered him this tobacco on one side of the road and he bought that, and then he offered him the tobacco in the barn on the other side of the road and the buyer said, "I can not buy that tobacco over there; it is not in my territory." And that man lost \$2 on all the tobacco in that barn on the other side, because he could not sell to this buyer his whole crop, because it was not in his territory.

I think when you see these injustices that are being worked on us down there there will not be any doubt in your minds.

Mr. GAINES. Who did this man represent?

Mr. FORT. The Regie Company.

Mr. GAINES. Have they any competitors down there?

Mr. FORT. No, sir; and I want to state also that this man who was representing the Regie contractor was a personal friend of mine, and he told me: "There is a whole world of tobacco in Robinson County that we can not use." The result is that there is no competition and no chance to sell that, and there is no chance for this class of laborers and negroes, who are dependent on this crop for a living, and I do not know what we are going to do.

Mr. STANLEY. Now, you say a man will raise 3 acres of tobacco?

Mr. FORT. Yes, sir.

Mr. STANLEY. And Robinson County is the best tobacco county that you have?

Mr. FORT. Yes, sir.

Mr. STANLEY. Will it bring over 3½ to 4 cents a pound?

Mr. FORT. Not this year.

Mr. STANLEY. At 3 cents a pound, how many pounds of tobacco will be raised to the acre, on the average?

Mr. FORT. I have an estimate of the average for Robinson County, which is 500 pounds per acre.

Mr. STANLEY. That is 3 cents a pound and 500 pounds to the acre, to be cut half in two?

Mr. FORT. Yes, sir.

The CHAIRMAN. Suppose you tell us, before you stop, your idea as to how this Gaines bill is going to relieve this difficulty which you complain of.

Mr. FORT. That is a conjecture. I want to be honest and sincere with this committee. I try to be honest. I believe that if this tax is taken off it will open up competition and we can sell our tobacco all over the Southern States, and that will cost these manufacturers and other men about 2 or 3 or maybe 5 cents a pound better for the tobacco, and we can stay at home and get a price for it on which we can live.

The CHAIRMAN. Why can you not sell it all through the Southern States now?

Mr. FORT. I am glad that you asked that question. I have a friend there who has three years' crop of tobacco now on hand, and unless he goes along with that tobacco he can not sell it, and as the law is now he can not sell it. But if this tax is taken off he can send his tobacco——

Mr. GAINES. The regulations prohibit the owner from going along and taking his own hand——

Mr. SWANSON, of Virginia. If the tobacco is in the limp state and is put in a wagon and hauled over the country it soon gets full of dust and will be destroyed. He pays the tax of 6 cents——

The CHAIRMAN. He does not pay the tax of 6 cents until he comes to sell it.

Mr. COOPER. I had a man ship a crop of tobacco to my warehouse, and he was offered for it 6 cents a pound. He said, "I am going to take this tobacco to Texas and sell it myself." He had a right to do it. He said, "I will ship this to Houston, Tex.," and he said, "I can get 24 or 25 cents a pound for it."

He went there and began peddling that tobacco through the country, and the expense of handling four or five hogsheads of tobacco—that was about the quantity—was so great that he could not do it and come out even.

Mr. GAINES. You know that of your own personal knowledge?

Mr. R. E. COOPER. No, sir.

The CHAIRMAN. I would like to get some light on this subject. I have heard a great deal of the desperate condition in which the tobacco farmer is, and all that sort of thing, and I am prepared to admit that, but I have not yet been able to see how the provisions of this bill are going to reach his condition and do him a bit of good.

Mr. FORT. I am not any lawyer, and I do not know that I can explain that.

The CHAIRMAN. I am not expressing any opinion, except that I would like to have light. I want information.

Mr. STANLEY. Just tell Mr. Dalzell where you can sell this twisted tobacco, if it was a commodity that you could sell, now. Tell him what demand you have right over the line in the cotton fields below you.

Mr. FORT. We have a demand all over the Southern States.

Mr. WILLIAMS, of Mississippi. There is no tobacco raised in my country, and we would be very glad to buy this natural twist that is raised on the farm to supply our people with. I understand you to say that a man can come along with it and sell it now, but I know that it is not bought that way. I know that instead of that they buy the manufactured plug. You know the darkies all use tobacco, and a regular allowance on a cotton plantation is four pounds of meat and a peck of meal and a pound of tobacco. The tobacco is as much a part of the ration as the meal or the meat.

Mr. FORT. The gentleman asked a question. He wanted to know, if the tax was reduced to 3 cents a pound, if it would benefit the farmers. It would not benefit the class of people that I want to help a bit in the world. This tax, if taken off, would benefit the poor people and the negroes who are dependent. We can not raise corn and wheat or hay, and the negroes are dependent on the tobacco alone. It is a tobacco country, and they are bound to raise it; and now the negroes are going to work on the railroads and in the coal mines and that sort of work, and they are shutting down now, and we are in a depressed condition; and we come to you and ask for some assistance and help.

Mr. METCALF. Pardon me, just there.

Mr. FORT. Yes, sir.

Mr. METCALF. Would you not experience exactly the same difficulty if this tax were taken off tobacco in selling it in this case just cited by Mr. Warfield? Would you not have to peddle it out to the retailers?

Mr. FORT. We could sell it. A man can not go along and sell his own crop. He has got to attend to his other business. But allow me—

Mr. STANLEY. The law as it now exists is the same thing as though you were to give a farmer the right to plead his own case in court.

Mr. METCALF. Can he not take out a license and pay the tax?

Mr. STANLEY. It would not justify his doing it.

Mr. GAINES. The farmer would have to furnish his own horse and his own stock and his own wagon, raise his own tobacco and put it in his own wagon, and get on the wagon himself and go all over the country and sell it himself from his own wagon, whereas the tobacco raiser has maybe to go 100 miles or 50 miles to get into a place where he could sell it, because in his own country everybody around him raises tobacco and he could not sell it to anybody there.

The CHAIRMAN. Let us hear Mr. Fort.

Mr. FORT. This does not interfere with me at all. I want to answer that question about the tax. I do not know whether you gentlemen know it or not, but in our country we have an ignorant class of laborers who know nothing except what they learn from us. We white people teach them all they know and take care of them. I have a negro on my place who has never known anything else in his life. His mother was my black mammy. I went on his bond for a thousand dollars for shooting a negro once, and he came clear. [Laughter.] These negroes are afraid of the revenue law and they are afraid of the Federal laws. They know that they have no way of getting help if they get away from their own people.

They are afraid that they will be sent away off out of the country where there are no white people to help them, and they are confused and ignorant about these Government laws; and I am confused about it, and they are afraid that they will snap them up and give us trouble.

Mr. BARKER. Mr. Chairman, I am afraid of those laws, too. I have understood that putting a little peach brandy in a twist of tobacco is against the law, and I have a twist of tobacco here that I put a little peach brandy in to use myself [producing a twist of tobacco from his coat pocket]; and I understand that I have got myself liable to a whole lot of trouble because I have got some of that out to use.

Mr. FORT. I have told you about the troubles and the hardships of our farmers. I came through a town in Kentucky the other night, and stopped there, and there was an insurance company there, and they told me that it was an actual fact that they have gone so far as to forbid this company to insure any tobacco unless it is bought. We have to insure the tobacco when it is put in a warehouse, and they have forbidden the insurance companies to insure any tobacco unless it is bought by the trust.

Now, I think I see the trouble. I think you, this committee and Congress, want to give us farmers and tobacco growers assistance, and if you will solve this problem about this—where it is to start and where it will end—and you can—I believe you have brains enough and ability enough to solve this problem—you will earn the lasting thanks of our people. I came here for the poorer class of my people, and they have not anything—have not money enough to buy groceries for their families even, and I speak to you as an honest and plain farmer, and we beg and pray you to give us help. I thank you, gentlemen.

Mr. SHERLEY, of Kentucky. I want to ask the gentleman this question, whether if the tax was taken off of tobacco that was simply stemmed, and not twisted, and which is not manufactured in the usual sense of the term—

Mr. FORT. Yes, sir.

Mr. SHERLEY, of Kentucky (continuing). Whether that would suit the tobacco grower; as the bill is now drawn it permits only the farmer to do that thing. Suppose it was provided that the farmer or anybody else could twist his tobacco himself, would that be satisfactory?

Mr. FORT. I will answer that by saying that we are more than willing for you to put that provision in the bill. What we want is competition.

Mr. GAINES. What has become of your warehouses?

Mr. FORT. They are gone where the woodbine twineth.

Mr. GAINES. What is the cause of it?

Mr. FORT. These trusts.

Mr. GAINES. How long since they have been gone?

Mr. FORT. Since the trust came into existence. I used to sell my tobacco to farmers and they used to rehandle tobacco and there were a dozen buyers in my neighborhood and competition was so lively that it would make tobacco go up, and there was quite a boom with the tobacco farmers. Now there are just the agents who buy this tobacco, and there is no competition in the country, and they just set a price and then squeeze and squeeze down until they have the life squeezed out of the producers.

STATEMENT OF MR. C. P. WARFIELD, TOBACCO WAREHOUSEMAN.

Mr. WARFIELD. Mr. Chairman and gentlemen of the committee, I do not want to take up your time. You have been very generous with your time with us, and we appreciate very much the attention that you have shown us here; but I want to go directly at some of the questions that you are putting to some of the witnesses, and I want to answer the question as to how this competition is going to affect us.

There is a great deal in this that I do not understand. I have been in the tobacco business for fifteen years, and previous to that I was engaged in raising tobacco. But, to illustrate, I will take our section of the country, which is a dark-tobacco section. Western Kentucky and Tennessee raised last year 150,000,000 pounds of tobacco. That tobacco was bought mainly by England and Germany and Spain and France and Italy and Austria. Some of our tobacco is prized very highly and goes to all the countries.

~~F~~ We have had competitions with all these different lines and different countries coming in there competing with us. Now, I do not want to say anything against the trusts, because we were guarded against that down there at our farmers' meeting.

Mr. GAINES. No; I will do that.

Mr. WARFIELD. They said, "When you get there, now, boys, do not say anything about the trusts."

~~F~~ In answer to your question, Mr. Chairman, as to how this competition is going to affect us, I would say that Bremen has been, as you know, probably, the only open foreign country we have; the others are controlled by a Regie system. Recently the American Tobacco Company has undertaken to go in by Bremen and to sell tobacco there. Now, there are buyers on our markets, Germans, who have been on our little markets—open buyers and independent buyers representing independent firms in Bremen. It has 29 firms in Bremen, and it has been a dumping ground for all our products; it has been the only open market that we have had.

Last year the American Tobacco Company went into Bremen and they put down the price of tobacco. They went in there, and could undersell and did undersell—for the purpose of driving out the competition did undersell—this tobacco, and now the most hotly contested fight that I have ever known is being waged right in Bremen, and Bremen buyers in our country are standing shoulder to shoulder with producers and asking and realizing that they want competition. Don't you see? In other words, they go into our country to buy and they are cut out completely. They see this. They see the result of this.

Now, we sell, say, in that section of the country from 50,000,000 to 60,000,000 pounds to Great Britain, 25,000,000 to 30,000,000 pounds to Germany, 10,000,000 to 12,000,000 pounds to Austria, about 30,000,000 pounds to Italy, from 25,000,000 to 30,000,000 pounds to Spain, and about 20,000,000 pounds to France. That is the way that our tobacco runs. What is left over has generally gone to these other countries to be packed all over these countries where they have no other means of transportation except these little burros.

Now we find things, when we go to sell our tobacco, as these gentlemen have illustrated; and I will go a little bit further. Italy has

been buying our tobacco in our section. We have a type of cigar leaf that suits them. A great many of their tobaccos they get from us are used exclusively, almost, for cigars, and they buy that type of tobacco. The American Tobacco Company wants the snuff tobaccos out of that class of tobacco which they get, and they get the tobacco, and they can take the plug leaf and the Italian leaf, etc., and the snuff out of it, but they can not do that unless they buy the entire crop. Now, when it is bought I will show you how it is worked. When that tobacco is bought the American Tobacco Company is buying right alongside with them. They agree on the price and there is no competition at all, but the American Tobacco Company people will take the part of it which they use for their snuff, you understand, and the Italian people will take their leaf, and they work it hand in hand right along.

Mr. W. W. KITCHIN. It is a sort of a pool?

Mr. WARFIELD. Yes, sir; that is the way they work it. They take that crop. Consequently, every dealer we have got has been killed. He has been driven out of the business.

Now, the farmer is there with a crop of tobacco to sell, and he is bound to sell it. Our people are helpless. While we had competition and could expect dealers and speculators in there to buy up that tobacco, we could carry every man who was forced to sell; the warehouses would advance him money on his crop, and when the time came to put his tobacco in there he would bring it and put it there, and we could sell it, and we had speculation and competition, you see.

Now, this past season this competition has been so completely killed that every buyer on our tobacco market has been broken this last year, every one, and these buyers are sitting there waiting, and we know they can not buy, and the Italian people will not buy a pound of it. You can not ship a pound of tobacco to Italy and sell it yourself. It has got to go through the Rigi contract.

Now, those people are compelled to hold that tobacco there and just simply take any price on leaf that they offer to give. We have no competition whatever.

Mr. GAINES. Because your dealer has been done away with?

Mr. WARFIELD. Yes, sir.

Mr. GAINES. Formerly there were many of these in your neighborhood, but now they are all done away with?

Mr. WARFIELD. Yes; I am a tobacco warehouseman, and I have advanced thousands of dollars to every poor little farmer throughout the country all through the year, and I would carry that man. The Germans do not buy their tobacco until the spring of the year, until the danger of fermentation is past. Until he knows the condition of the tobacco he is not a competitor. The German buyers want to wait until the spring of the year in order to know the exact condition of the tobacco, to know that it will go through the sweat without danger of fermentation. Now, Mr. Chairman, we get down to this question: We have about 130,000,000 pounds, and it gives us a little surplus that we can not get rid of. It stands there all the time in the way, threatening and bearing the market.

Now, we want another customer, we want more customers; we want to ship that tobacco all through the South and West and put it into their hands like these people want it; and I expect you all know how the American Tobacco Company—and, understand me

now, I am not making a fight, and I do not want to be understood as making a fight—looks upon that. We want all the competition that we can get. They are all right there with us, and we want to keep them with us, but the thing, as I understand it, works this way: When the Battle Ax tobacco was first manufactured, it was manufactured first to drive out all these little manufacturers throughout the country. It began at 45 cents a pound, and finally they sold it for 13 cents a pound, and it closed up Lorillard and all of those manufacturers of plug tobacco, and all your manufacturers of plug tobacco, nearly, and they were compelled to go into this combination. It forced them into it.

There are now several manufacturers of plug tobacco that give some competition. Now, if we could manufacture and sell this surplus of 20,000,000 or 25,000,000 pounds of tobacco that stands there as a bugbear to effort all the time, we could carry that on to the market, and we would bring customers there to buy that, and that would go to be used as people want to use it. It would go West to be used.

As an evidence of how popular it would be, when the tax was off of it in 1894 our men began to buy it in our market, and the result was that for one or two seasons we had the benefit of this same law that we are asking for now; we had these little buyers there buying this tobacco and shipping it.

Mr. STANLEY. You mean that there was not this restriction on the handling of the natural leaf?

Mr. WARFIELD. Certainly.

Mr. GAINES. That was repealed?

Mr. WARFIELD. It was repealed in 1894.

Mr. GAINES. You are trying to get rid of that now?

Mr. WARFIELD. Now, we want that law right back.

Mr. GAINES. I understand that you want it reenacted, and——

Mr. STANLEY. You want to get rid of the restriction?

Mr. WARFIELD. That is right; we want to get rid of the restriction.

Mr. STANLEY. Go ahead.

Mr. WARFIELD. Just pass this bill. Either one of your bills will cover the ground. What we want is to get that restriction off. If we could get that restriction off, it gives us competition all down there.

Mr. HILL. You are a dealer in tobacco?

Mr. WARFIELD. Yes, sir.

Mr. HILL. A farmer raises his tobacco and comes and sells it to you?

Mr. WARFIELD. Yes, sir—no, sir; he sells it through me.

Mr. HILL. Well, he sells it; you have a right to buy his tobacco as licensee?

Mr. WARFIELD. No, sir; we have a law——

Mr. STANLEY. Through the warehouse commissioner?

Mr. WARFIELD. There is no tax on it to the producer—the laborer.

Mr. HILL. But in this case he would have to pay it. At the time of the first sale the tax is returned to the internal-revenue officer, and he pays the tax.

Mr. WARFIELD. Yes, sir.

Mr. HILL. The producer does not pay any tax?

Mr. WARFIELD. No, sir.

Mr. STANLEY. That is just the requirement of the law, that he must get a license, and he does not have to pay any tax to manufacture?

Mr. HILL. What you want is that the tax shall be taken off, and that he merely shall have the privilege of stemming and selling the tobacco, and then he sells it as twist?

Mr. WARFIELD. Yes, sir.

Mr. HILL. When does the tax begin, under your proposition?

Mr. WARFIELD. Not on this tobacco at all.

Mr. HILL. Not on this tobacco at all?

Mr. WARFIELD. No, sir.

Mr. HILL. It is only on the manufactured forms?

Mr. WARFIELD. Yes, sir.

Mr. HILL. Then the trust could come in and do this same thing with regard to this tobacco which they now do with regard to manufactured tobacco?

Mr. WARFIELD. Yes, sir.

Mr. HILL. Would not they do it just the same and close you out just the same?

Mr. WARFIELD. No, sir; it would not hurt us anyway.

Mr. GAINES. The farmers would continue to raise it and continue to compete with it?

Mr. HILL. Your idea is that you would not get any higher price, but only the privilege of handling it yourselves?

Mr. WARFIELD. We would get somewhat higher prices.

Mr. FORT. Certainly we would get a higher price.

Mr. WARFIELD. Here is where it would benefit you gentlemen living in the districts where you manufacture your home-grown tobacco. This matter of the little surplus that I have spoken of, that comes in there in that way against us, that comes also on you gentlemen in Connecticut. The effect of it comes there, don't you see, in taking our types of tobacco that they could substitute, probably, for your better grades of tobacco, and if we could get rid of that, that necessarily puts up the price of this other tobacco, don't you see, by giving you competition. It puts up the price of all of it, and it increases the consumption and benefits all.

Mr. GAINES. How would it interfere with the revenue?

Mr. WARFIELD. Of course I can not tell you about that. You have the statistics from the internal revenue.

Mr. GAINES. I have been trying to get that, and Mr. Yerkes has been endeavoring to get something of that kind.

Mr. STANLEY. Mr. Yerkes promised to get me some.

Mr. WARFIELD. I do not think it would affect it at all down in our section.

The CHAIRMAN. It seems to me what you want is practically the act of 1894.

Mr. WARFIELD. That is what we want, a reenactment of the act of 1894, so as to untie our hands and give us the privilege of selling to anybody.

Mr. GAINES. I want to ask you as nearly categorically as I can and get as brief answers as I can: Your country and territory down there is an exporting country?

Mr. WARFIELD. Yes; 80 per cent at least.

Mr. GAINES. Eighty per cent. Robinson County about 90 per cent?

Mr. WARFIELD. Yes, sir.

Mr. GAINES. And the Government gets no revenue whatever over there?

Mr. WARFIELD. No, sir.

Mr. GAINES. If you could stem and twist this tobacco, 90 per cent of which is exported, or this surplus, you could sell that out over the country to consumers, as, for instance, in Mr. Williams's country. Now, that would be stemmed or twisted and sent to the consumer down in the country here to whom you are not allowed to sell now without delivering in person.

Mr. WARFIELD. Of course.

Mr. GAINES. And if you sold him an excess over and above the amount he wants to use, he could sell that to the manufacturer, and when the manufacturer got hold of it, then he would have to pay a tax on the tobacco, would he not?

Mr. WARFIELD. Certainly.

Mr. GAINES. In other words, some of the tobacco would be stemmed and twisted by the farmer and sold at home, and any of it that ultimately got into the manufacturer's hands he would manufacture it over and pay a tax for so doing?

Mr. WARFIELD. Yes, sir.

Mr. GAINES. As it is now he pays nothing, because the grower does not stem or twist for consumers.

Mr. GAINES. If you allowed the farmer to sell his product to the consumer in that way, allowed him to stem and twist it without paying the tax?

Mr. WARFIELD. Yes, sir.

Mr. GAINES. That tax you want removed so that you can do that?

Mr. WARFIELD. Yes, sir.

Mr. GAINES. In a neighborhood where tobacco is raised, do you raise anything else but tobacco?

Mr. WARFIELD. Yes. Right on that question, you gentlemen have asked some questions about this soil and what it is suited for. We have this soil there; we have territory that raises the best tobacco that we have, and we will raise a good crop of tobacco, and we can not make three bushels of corn to the acre.

Mr. GAINES. How much does it cost to fertilize it?

Mr. WARFIELD. We are spending immense amounts for fertilizers all the time.

Mr. GAINES. Now, go on with my proposition. When you let the tobacco grower take the tobacco that he grows and stem and twist it, which he can not do to-day, and remove the requirement that he must pay that tax and remove the restrictions, then he can take it and send it to the nonproducing tobacco portions of the country—and large portions of the country produce no tobacco—and sell it there direct to the consumer?

Mr. WARFIELD. Certainly.

Mr. GAINES. And he would create a demand for that tobacco, for one thing?

Mr. WARFIELD. Certainly.

Mr. GAINES. That would create a competitor in that neighborhood with the tobacco trust?

Mr. WARFIELD. Yes, sir.

Mr. GAINES. And that would absorb this tobacco that is bearing our market all the time?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Is there anything else?

Mr. WARFIELD. You spoke of competition. Italy is one of the best customers we have. She does not take but 30,000,000 pounds for her own consumption. We have a territory that will take that much, and the method that they have adopted is depressing our section worse than anything else. If we could get a place where we could sell as much as 25,000,000 or 30,000,000 pounds—and we could do it—that would help us on that; it would cause a competitor equal to Italy, one of the best customers that we have.

Mr. BARKER. Just a few years ago there was a competition among us, and you will remember that it gave us a big price for our tobacco, where the fight came up between the people who were bidding for the Italian contract.

Mr. WARFIELD. Yes, sir.

Mr. BARKER. You remember that?

Mr. WARFIELD. Yes, sir.

Mr. BARKER. Tell these gentlemen about that.

Mr. WARFIELD. The Italian contract was taken at one time from Bremen. Of course the legislative body of Italy controls the contract, and Bremen furnished the money, and Bremen controlled this contract. The contract is now controlled at Paris. Well, Bremen had it; she had her American agents to bid, and that contract was divided up. Mr. George Rawson—you remember or know of him—of New York, represented a part of that contract, and Mr. E. B. Powell represented another, and some one else another. They divided the contract up. The different grades of tobacco were divided into A, B, and C. A is the very highest type of cigar leaf that the Italian people have, B is medium, and C is practically a filler.

Now, those gentlemen in Bremen held the contract, and those gentlemen bought among themselves. They could ship the tobacco to Bremen, and the man who bought the Italian tobacco could sell it to one or the other of them; he could ship it to Bremen, and it would be bought there and shipped to Italy. But now they have a man here directly themselves that controls it absolutely, and he said—he is at my house frequently—“Don’t you allow your dealers, don’t you allow your buyers, to buy any tobacco. I just come to tell you that if you do we will not buy a hogshead of it.” And he has not bought a hogshead; and he has not bought a hogshead there from a dealer.

Mr. GAINES. Where does he buy it?

Mr. WARFIELD. From the farmers.

Mr. GAINES. Straight out?

Mr. WARFIELD. From the farmers, yes, sir; and if the farmer does not take one price—his price—he just lets it stand there in the barn until he gets ready to take it, and finally he has to take the Italian price.

Mr. GAINES. The farmer has to take the Italian price?

Mr. WARFIELD. Yes; he finally has to take it.

ADDITIONAL STATEMENT OF MR. R. E. COOPER, OF KENTUCKY.

Mr. COOPER. What we want is the privilege of selling tobacco to any person in the leaf, stemmed and twisted free from any foreign ingredients or flavoring. That is the bill we want in our country. We

want the privilege now of selling that to any person, and we want it to be handled and traded in just as wheat and corn are handled and traded in, so that we can sell it to the colored people and to merchants or to any person, farmer or dealer or merchant.

The CHAIRMAN. Why can you not do that now?

Mr. COOPER. Because the merchant can not resell that tobacco without paying that tax of 6 cents.

Mr. GAINES. And putting it in a box.

The CHAIRMAN. Oh!

Mr. COOPER. The merchant can not resell that without paying the tax, and that is the reason we want the privilege of selling it in the raw state, and in that way we will increase the consumption. Natural tobacco is the cheaper tobacco.

Mr. WILLIAMS, of Mississippi. That refers to the natural tobacco on the stem. It makes the tobacco unstemmed without tax altogether, no matter to whom or by whom sold.

Mr. COOPER. That would be a benefit to us. And then it makes the tobacco stemmed or twisted or hand pressed untaxed only when it is sold by the farmer.

Mr. STANLEY. Now, I have a bill here (H. R. 9870)—I have introduced a bill—specifically providing that the leaf tobacco shall be a commodity like wheat, free of all tax, and that the twist, when made by the farmers, shall be free of tax, so that every farmer could twist his tobacco, you understand, and the farm-made twist would be free of tax either in the hands of the farmer or of any other person.

Mr. WILLIAMS, of Mississippi. That is not the bill that I saw.

Mr. STANLEY. That bill is here.

Mr. COOPER. Then we can sell to the consumers. The cheapest tobaccos now are 40 cents to 60 cents retail. We can furnish them to consumers or laborers who can not buy tobacco now for 15 to 20 cents. After it passes from the hands of the producer it will go to the consumer, and in that way we hope to very largely increase the consumption. If you cheapen the tobacco they will inevitable use more. And then it increases competition, because all through the West the merchants will send for a hogshhead that they can sell out to the croppers and tenants.

Mr. STANLEY. The principal thing you want is competition?

Mr. COOPER. Yes, sir.

Mr. STANLEY. If the farmer has the right to twist his own tobacco and sell it in the twist—the producer has that right—then whenever the combination of the Imperial and the American companies press the price of the tobacco in the hands of the farmers down to where it is now, 3 cents, it will force this other tobacco into the market, and in order to keep this home-twisted tobacco out of the market, this article in which there is very little profit, they will be bound to pay you more for the tobacco to be made into plug, or anything else, and give you a living profit?

Mr. COOPER. That would, in a measure, no doubt, figure out that way; but what we want now is, as I have stated, to create this demand by letting people buy it who are not able to buy the tobacco now at the price that we can furnish it to them. Our farmers frequently would sell it to a merchant, and then he would let it go on down the line at 10 or 12 cents a pound. There will be no tax on it at that, and if you will put the price at 15 cents, instead of 50 cents; we believe

the consumption will increase as you decrease the price of the tobacco. As it is now, the cheapest tobacco we can buy is from 40 to 60 cents—the cheapest tobacco the manufacturers put on the market.

Mr. METCALF: Do you mean smoking tobacco?

Mr. COOPER. Yes, sir.

Mr. METCALF. I think there is smoking tobacco that sells from 3 to 5 cents for a 2-ounce package.

Mr. COOPER. I must beg your pardon, then. I think there must be some mistake about that.

Mr. METCALF. We had it so testified before us by the manufacturers. (Anticoupon hearings.)

Mr. STANLEY. If you examine those packages you will find that that tobacco has the stem ground up with the leaf.

Mr. GAINES. I have some petitions here that I want to file with the committee and two or three letters that are very pertinent to this question.

The CHAIRMAN. There are several of those petitions; are they identical in matter; are they the same except for the signatures appended to them?

Mr. GAINES. Yes, sir; but they are signed by different parties.

The CHAIRMAN. Insert one of them in the record to be printed. There is no use duplicating them. (See p. 66.)

Thereupon the committee adjourned.

THURSDAY, *February 25, 1904.*

The subcommittee on internal revenue (No. 3) this day met at 10.40 o'clock a. m., Hon. John Dalzell in the chair.

Members present: The chairman and Messrs. Tawney, Hill, Cooper, and Clark.

The CHAIRMAN. The committee will come to order. Mr. Commissioner, do you want to be heard first? Will it suit your convenience?

STATEMENT OF MR. JOHN W. YERKES, COMMISSIONER OF INTERNAL REVENUE.

Mr. YERKES. It is immaterial to me, Mr. Chairman. I am here at your request—

The CHAIRMAN. I think we had better hear you first. You understand the purpose of this meeting and of the bill under consideration?

Mr. YERKES. Yes, sir.

The CHAIRMAN. We will be glad to hear anything you may say about it.

Mr. YERKES. I have brought some papers up here with me this morning, not as a basis of argument, but as a reference encyclopedia to answer questions propounded by the committee.

I presume the desire is to meet the conditions that exist to-day, without any special reference to what caused those conditions. And yet in reading, this morning, the testimony that has been introduced before the committee, I think in one or two places there are a few evidences of hysteria, and an effort to charge the present conditions to statutes of the Federal Congress and to the regulations made by the Department under those statutes—an effort to charge all the evils

and woes that now exist to these statutes and regulations. For instance, this statement from page 22 of the hearings upon this legislation:

* * * The auction rooms are dismantled and abandoned, and where activity and prosperity once surged is now desolation and emptiness; that a few buyers for corporations, all in combination, alone remain to fix the price and take as much or as little as they wish; that there is no one else to whom they may sell—no exemption, no rivalry—and the result is that prices rule barely above the starvation point.

That the revenue law is directly responsible for this by depriving the grower of the right to sell his product to consumers, stemmed and twisted into a shape that can be handled and used, and in amount that would be any considerable part of the country's product; that to take off the handcuffs and allow him to stem and twist and sell it without limitation will create competition and bring tobacco to its worth.

Mr. YERKES (resuming). The internal-revenue laws, so far as their effect upon the producer and grower of tobacco may be concerned, are just about the same to-day as they have been almost uniformly since the laws were first enacted in 1862. There has been gradually a growth of liberality toward the producer of tobacco himself. For instance, to-day he can sell his tobacco in any amount to any person he desires to sell to, without tax, restriction, or limitation. He can sell to his neighbor, to any consumer, to a tobacco manufacturer, or to a dealer. There is no limit upon his individual right to sell without tax, restriction, license, or any condition whatever, so long as he sells the natural leaf.

Mr. TAWNEY. Can anyone be permitted to sell it without paying 6 cents a pound tax?

Mr. YERKES. Why, certainly. The man who purchases it does not pay a cent tax for the privilege of purchasing, and he, the purchaser, pays no tax on the tobacco if he resells to another leaf dealer, a manufacturer, or for export.

The CHAIRMAN. He sells his tobacco just as a man sells his wheat or hay or oats?

Mr. YERKES. Yes; except one limitation. I am frank to admit that it is not a necessary limitation, perhaps, made by the regulations of the Bureau under a statute requiring him to sell directly himself.

Mr. CLARK. Is it not another hardship that they are not allowed to stem it before they can sell it?

Mr. YERKES. Now, there you come into the domain of necessary departmental control—administrative action.

Mr. CLARK. That is exactly what we are after.

Mr. YERKES. I am coming to that later. The idea that if you buy from the farmer, the grower, or producer of the tobacco 100 pounds for your own use, a tax of 6 cents a pound must be paid on that, is absolutely erroneous. Further, the leaf dealer could buy this and sell to another leaf dealer or a manufacturer, or export, and still not a cent of tax need be paid upon that tobacco. The tax accrues only after the tobacco has been manufactured and has been put upon the market in its manufactured condition, with the exception that, in order to protect the revenue, the law of 1894 does provide that wherever now—not the farmer, not the producer, nor the grower—the dealer in leaf tobacco sells it to the consumer, he must pay a tax of 6 cents. But he has bought it without limitation and without tax, or any restriction except the keeping of necessary books, showing from whom he bought, and in what quantity he bought it and on what date, and to whom he sold it and on what date. Not a dollar of special tax

or license is required. That dealer can sell to the manufacturer, or to another leaf dealer, or to an exporter without paying a cent of tax. But when he sells to the consumer, then the tax of 6 cents per pound applies as to any manufactured tobacco.

Mr. COOPER, of Texas. Does the producer have to sell his product in person?

Mr. YERKES. That is the letter of the law. I am frank to say, however, it has never been enforced with any great particularity.

Mr. COOPER, of Texas. He can not, under the law, sell it through an agent?

Mr. YERKES. Except through the commission merchant, warehouseman, or broker. That is the condition everywhere.

Mr. GAINES. An agent can simply solicit? The grower must deliver directly to the consumer? That is one of the rules of the Department?

Mr. YERKES. Yes; that ruling has been in force for a number of years and I am frank to admit that it is perhaps too rigid.

The CHAIRMAN. Is that a part of the law, or simply a regulation?

Mr. YERKES. A regulation made, as the Department thought, in conformity with your statute. It was a personal right conferred upon the farmers that they could not transfer to anybody else. But, Mr. Chairman, that applies, as Mr. Gaines will readily recall, because he is familiar with this whole subject, to sales made by the producers to individual customers. Colonel Washington will remember that when you ship tobacco to Clarksville, Hopkinsville, or Louisville, or Cincinnati, you simply ship the tobacco to the warehouse there, like any other commodity. You send your driver with the wagon to the depot, deliver the tobacco to the transporting company, and you do not go in person.

Mr. STANLEY. The law gives the licensed dealer—the warehouseman—certain rights in the handling of this tobacco that the outside individual has not.

Mr. YERKES. Oh, of course, he has certain privileges; but as a licensed dealer he is limited in his sales to certain specified persons. The farmer, however, has been unshackled and not shackled. A few years ago the farmer was restricted to selling annually \$100 worth of his product to the individual consumer. Now he can sell every pound he produces to individual consumers if he can find the purchasers.

Mr. GAINES. Have you not given this opinion of the law of 1894?—

In the second paragraph every person is regarded as a manufacturer of tobacco who sells and delivers his leaf tobacco in its natural condition to consumers, or to persons other than registered dealers in leaf tobacco, manufacturers of tobacco or cigars, or persons who buy leaf tobacco in packages for export; and all leaf tobacco so sold by such person is regarded as a manufactured tobacco subject to tax: but there is this exception, that farmers and growers are not to be regarded as manufacturers for selling leaf tobacco of their own growth and raising.

Mr. TAWNEY. What are you reading from?

Mr. GAINES. From page 2259 of the Congressional Record of February 22, 1904, containing my speech on this subject. That is the language of Mr. Yerkes which I have just read from his letter to me March 12, 1903.

Mr. YERKES. That is undoubtedly true, sir.

Mr. GAINES. And all leaf tobaccos sold by any person other than the producer is considered to be manufactured tobacco, and the purchaser who purchases from the farmer, if he sells to the consumer, must pay 6 cents tax?

Mr. YERKES. Unquestionably. Unless sold to another leaf dealer, a manufacturer, or an exporter.

The CHAIRMAN. That is what Mr. Yerkes said?

Mr. GAINES. No; he said dealers.

Mr. YERKES. Your own act here is absolutely specific. It does not require any construction on the part of the Department whatever. It is the law of 1894, which says that all tobacco sold by any person other than the farmer to the consumer becomes manufactured tobacco in the eye of the law, because it comes into competition with the tax-paid tobacco bought by the consumer.

Mr. GAINES. Whether in its natural condition or not?

Mr. YERKES. It does not make any difference.

Mr. CLARK. Suppose I sell it to you. What is the sense in that law or regulation?

Mr. YERKES. It is not for me to say wherein the sense of the statute consists.

Mr. CLARK. Yes; you are expounding this now.

Mr. YERKES. I enforce the law you make——

The CHAIRMAN. If Mr. Gaines sells to Mr. Clark, neither of them pays any tax, and Mr. Clark does not pay any tax unless he sells to the consumer?

Mr. YERKES. Exactly.

Mr. GAINES. He can sell it to anybody else?

The CHAIRMAN. If you are a manufacturer, and Mr. Clark sells that to you, does he pay the tax?

Mr. TAWNEY. No; I put it on the market as the manufacturer of tobacco, and he pays no tax.

Mr. GAINES. If the man who buys from the producer sells to the consumer the natural leaf that is bought from the producer, under the act of 1894, section 69, that natural-leaf tobacco thus sold is considered manufactured tobacco, and taxable, although it has never been changed in its condition.

Mr. YERKES. The reason for that is perfectly apparent. While the law allows the producer or grower of tobacco to sell it in competition with manufactured tobacco without the payment of tax, when anybody else does it then the law, in order to protect manufacturers who pay the tax and the revenue, says it becomes manufactured tobacco and must pay the tax, although it has not changed in form.

Mr. GAINES. How much revenue do you get from that particular way of selling tobacco?

Mr. YERKES. I would say about nothing. Do any of you gentlemen know of leaf tobacco being sold to any man with a tax of 6 cents a pound paid on it?

Mr. COOPER. Do you think that is a wise law?

Mr. YERKES. For the protection of the revenue, in a certain sense it is.

The CHAIRMAN. Gentlemen, I would suggest that you had better let Mr. Yerkes go on, and after he gets through you can ask him questions.

Mr. YERKES. Now, one word as to the conditions that exist. That the tobacco industry, so far as the producer is concerned, is not in good condition is abundantly proved by the testimony now before this committee. But I do not believe, Mr. Chairman, that the present conditions are the results of the statutory enactments of Congress, or

of the rules and regulations made thereunder by the Treasury Department. I believe they are largely due to the overproduction of tobacco itself.

Let us take the figures on that. You find, for instance, in the report of the Bureau of Statistics for 1903, and by the way it is impossible for me to understand how they give us tobacco figures for 1903 already——

Mr. WASHINGTON. They drew it only by estimation. The crop has not yet been moved.

Mr. YERKES. It takes thirteen months to produce and deliver tobacco, and the 1903 crop has not been delivered to any large extent. But, taking the figures for various years, from 1885 down to 1903, as to the area of tobacco planted in the whole United States, we see that in 1885 there were 752,000 acres cultivated in tobacco; in 1903 there were 1,037,000 acres. In 1895 there were 633,000 acres, and in 1892 there were 1,030,000 acres. Then you find an increase from 500,000,000 pounds of tobacco produced in 1885, 1886, 1888, and 400,000,000 in 1896, to 800,000,000 in 1902, and same in 1903, in round numbers.

Now, take the tobacco exported and that used by the manufacturers of this country, and the wastage allowed, and some of which we have no record of, and the amount on hand is quite large. There is undoubtedly a large amount of tobacco now in the hands of foreign buyers, and also, I presume, in the hands of buyers in this country; so that the congestion, to some extent, has been caused not by the internal-revenue laws and regulations, but by overproduction of the product itself.

Mr. Gaines, in reading your speech carefully, I notice that in your figures which you took from the Tobacco Leaf——

Mr. GAINES. The Tobacco Leaf stated, as I remember, that they were obtained from the Agricultural Department.

Mr. YERKES. I have the report of the Bureau of Statistics, and I find quite a difference, for instance, in the value of the product of 1902, as compared with your statement of it, as being \$57,500,000. The total value, as stated here, is very much more. I do not know which is correct.

Mr. TAWNEY. When you say "here" you mean the Bureau of Statistics?

Mr. YERKES. Yes. But it is clear from the acreage and from the number of pounds produced that there has been a marvelous increase in the amount of tobacco produced in this country.

Mr. STANLEY. I do not want to interrupt you, because I have great faith in the statements of the gentleman. Is it not true of this large acreage of tobacco of which you speak—this difference between the acreage at the time mentioned and now—that the rapid increase occurred ten or fifteen years ago, or within the last five or six or seven years? Will all the figures show a marked increase?

Mr. YERKES. No; they will not.

Mr. STANLEY. Is it not due entirely to the production of White Burley in central Kentucky and in that whole Silurian region where this bastard tobacco is grown that is known as the White Burley, and that accounts for the increase in the amount of tobacco, while otherwise in the last six or seven years there has been no rapid increase?

Mr. YERKES. I can give you the figures, and you are correct in your idea. In 1896 the acreage was 595,000. In the figures I have I have

only certain years. Then, in 1899 the acreage was 1,100,000. In 1903 the acreage was 1,037,000.

Mr. STANLEY. Now, Mr. Yerkes, do you not draw that conclusion from the fact that there is now in foreign markets quite a lot of tobacco unsold?

Mr. YERKES. Yes.

Mr. STANLEY. The American Tobacco Company shipped several hundred thousand hogsheads of tobacco; and not only the American Tobacco Company, but the brokers here in America, shipped large quantities of tobacco into Great Britain with the purpose of taking that market. Then the American Tobacco Company and the Imperial Tobacco Company of Great Britain formed, about three years ago, a coalition, in which they agreed that neither one of them would touch about 150,000 hogsheads of tobacco which is there in the Queen's warehouse, because that tobacco was held by independent brokers. That tobacco has been debarred of its market by an understanding between the Imperial and the American Tobacco companies and not for want of production.

Mr. YERKES. I know nothing about those matters as to who owns the tobacco, and why it is held, and why it is not on the market.

To continue, Mr. Chairman, I am clearly of opinion that, as we have virtually the same laws now that affect the producers of tobacco as we have always had, but differing somewhat in the avenues taken to reach that effect, I do not think it will be seriously contended, or the charge maintained, that the laws of Congress as enacted are responsible for whatever troubles may at present exist in this business.

Now, speaking directly to the bill—

Mr. GAINES. One question, Mr. Chairman. Mr. Commissioner, will you tell the committee why it was that we enacted the act of April, 1902, this act which you allude to in your letter to me of March 12, 1903?

Mr. YERKES. That is the act, if I remember correctly, where the rate of tax is reduced. That, Mr. Gaines, is the law passed by Congress reducing the tax back to 6 cents. On June 13, 1898, you passed the first Spanish war revenue tax, by which the tax on tobacco was increased from 6 to 12 cents a pound.

The CHAIRMAN. That act in 1902 was the repeal of the war-revenue tax?

Mr. YERKES. Yes; you first reduced the tax from 12 cents, in 1901, to 9.6 cents, and then you made the final repeal, putting the tax back to the original rate of 6 cents, in 1902.

Mr. GAINES. Do you not say that that law makes the producer who makes twists of stems a manufacturer?

Mr. YERKES. That was the law before 1902.

Mr. TAWNEY. It was the law before.

Mr. GAINES. You state there that it was the law of 1868 reenacted.

Mr. YERKES. I do not remember all the details of that letter to which you refer, but I prepared the letter.

Now, Mr. Chairman, coming directly to Mr. Gaines's bill, which I understand is the bill which is up before you, it says, in the first section (reading):

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be lawful for any person to buy and sell tobacco unstemmed and in the leaf without license or the payment of any tax of any kind.

The CHAIRMAN. That is the law now unless he sells it to the consumer?

Mr. YERKES. Yes; that is the law now.

Mr. GAINES. The law is exactly that way now if he sells to the consumer, but the man who buys from him and sells to the consumer has got to pay a tax of 6 cents, under section 69, act of August 28, 1894.

Mr. YERKES. That is what the chairman said. He stated it exactly.

Mr. GAINES. Then I beg the chairman's pardon.

Mr. YERKES (reading):

SEC. 2. That it shall be lawful for any grower of tobacco to sell his own product, or to deliver to another person any tobacco grown by himself to be by such person carried to market and sold for the benefit of the grower, any tobacco grown by such planter, in the hand or in the leaf, or stemmed, or stemmed and hand twisted, or stemmed and hand pressed, or hand twisted, or hand pressed, without license and without the payment of any tax of any kind: *Provided*, That such planter shall furnish to the person by whom he sends it to market or offers it for sale a written authorization for that particular transaction, specifying the number of pounds.

It is this feature of the law which, as representing the Treasury Department, I can not approve. It is not for me to consider the question of a decrease of revenue. That is for the legislative mind to determine. I can only state the effect that in my judgment such a law would have upon the revenues of the Government, and also the effect that such an enactment would have upon the proper administration of the internal-revenue laws so far as they control the collection of taxes upon tobacco products.

It is very difficult, Mr. Chairman, for me to say exactly what amount of tax the Government would lose by the enactment of the second section, even after as thorough examination as I could make by correspondence with the collectors throughout the United States, and by examining all the records to which we have access and trying to reach an accurate statement as to the amount of tax annually secured by the Government through the 6 cents per pound levied on the twisted tobacco as distinguished from other forms of manufactured tobacco. But I do not believe the Government receives to-day more than \$700,000 or \$750,000 per year as the result of the tax upon twisted manufactured tobacco. You have some of these twists here to-day. Mr. Flack had some.

The CHAIRMAN. Yes; we had it here.

Mr. TAWNEY. And Mr. Stanley had some.

Mr. YERKES. Now, if you allow the farmer to hand twist his tobacco and get it on the market without the payment of 6 cents per pound, you would largely displace this manufactured twist tobacco. How far that displacement would go, I do not know.

But it would have another effect, too. Here is a specimen [indicating]. Now, you gentlemen who live in the North and East, largely—take, for instance, my friend, Mr. Hill, of Connecticut—I do not expect that there is very much tobacco chewed in his country. But down with us, and throughout the South, and in some States in the West, a man will take this twisted tobacco—either hand twisted by the farmer or twisted by the manufacturer—and he uses it for the double purpose of both chewing and smoking. So that this farmer-twisted tobacco, if put on the market at a lower price by reason of the tax being removed, would necessarily come in conflict with and displace, to a certain extent, the present manufactured tax-paid smoking tobacco.

But leaving the question of revenue aside for the present, and I say it is only a guess—and I think Mr. Stanley showed a great spirit of fairness before the committee in the statement that he read, when he stated that the maximum loss to the Government could not be over \$2,000,000. I think he was very conservative in his statement. But I doubt if it would reach that. I do not think the difference of price would be so great as to lead every man to buy the hand-twisted article—the tobacco twisted by the farmer—as I do not think they could make it look as neat and as attractive as the manufactured twist.

Mr. CLARK. What objection is there to giving the fellows a chance to smoke and chew the plain twist, without buying the manufactured stuff?

Mr. YERKES. It would simply be a loss of a tax of 6 cents a pound to the Government.

Mr. CLARK. But tobacco has become as much a necessity as anything else which may be a question of revenue.

Mr. YERKES. I said there was the question of revenue in the first place to be considered by the committee.

Now, another objection I have to it, and you might say that is departmental, will be the difficulty of preventing fraud in the collection of governmental taxes on tobacco.

Mr. STANLEY. I do not presume that you want to be understood as saying that you think it would be unwise to enact this bill into a law, but merely that it would present certain difficulties to the Department.

Mr. YERKES. Yes. Now, for instance, gentlemen, you pass this law giving the farmer the privilege of hand twisting his tobacco; he can sell it to the cross-roads merchant, to the storekeeper anywhere. Under your laws it is provided that every form and type of manufactured tobacco must pay a tax, and after paying it it must have a stamp on the package to represent the payment of that tax.

Suppose this becomes a law and the internal-revenue agent goes into a store. Here is a box containing manufactured twist, and here is another box right beside it containing a like manufactured twist, but not twisted by a manufacturer but hand twisted by the farmer. Now, will you tell me how the agent can tell whether the tax has been paid? They are made identical and could be placed in either package—the nontax placed in the tax-paid package. In that case why can not the twists be shifted from one box to another with perfect impunity? It will be very difficult, in the case of men sent out to examine tobacco, to enforce the tax on the manufactured twist tobacco.

Mr. STANLEY. Right there, Mr. Commissioner. If the tax is taken entirely off tobacco in that form, no matter by whom made, will not that obviate that difficulty?

Mr. YERKES. Yes; I suppose it would.

The CHAIRMAN. How much would that cost?

Mr. YERKES. I do not know. The twist would cost very much less than the manufactured plug, and almost everybody would use the cheaper. I do not know how many would prefer the dearer to the cheaper.

Mr. TAWNEY. That is the only way in which this difficulty of administration can be overcome, and that is by making all tobacco in that form, however produced, free of tax?

Mr. YERKES. Yes, sir.

Mr. GAINES. I understood you to say that you only got about \$750,000 from the twist?

Mr. YERKES. Yes. It would be that much, and I believe more.

Mr. TAWNEY. To the extent to which this displaces the other, you mean the loss would be that much?

Mr. YERKES. Yes. This would displace the other.

Mr. STANLEY. Is it not your candid opinion, Mr. Commissioner, that if a man chews a certain brand of tobacco, unless he is very, very poor he will continue to chew it, without regard to the matter of 12 cents a pound in the cost of it?

Mr. YERKES. As a rule, I think it would not affect seriously at all the purchase of tobacco by people who draw, for instance, Congressional and departmental salaries. [Laughter.]

The CHAIRMAN. People of that grade?

Mr. STANLEY. Do you think it would affect any standard brands of plug tobacco?

Mr. YERKES. To a certain extent, but not seriously. The high-priced manufactured tobacco would still be bought by people who want the best.

Mr. STANLEY. Is it not true that three-fourths of the \$43,000,000 that you get from this—all but about \$15,000,000—comes from the manufacture of snuff, cigars, and cigarettes, and only \$15,000,000 from all plug tobacco?

Mr. YERKES. I think so; all but some \$18,000,000.

Mr. STANLEY. But taking the tax off of twist could not affect the sale of plug tobacco, the higher-priced plugs, in the East and South over one-fourth?

Mr. YERKES. I can only say as to that, it would be the merest guess. We have no data on which I could base an accurate answer.

Mr. TAWNEY. Would not this be the effect: If you removed the tax from the manufactured twist and from the twist that is made direct by the producer, would not that be a very great inducement to the manufacturer to force the sale of manufactured twists because of the increased profits over and above the profit he would receive on other manufactured tobacco?

Mr. YERKES. I think so.

Mr. TAWNEY. Would not that lead to a displacement of a larger amount of tax-paid tobacco than would otherwise occur?

Mr. YERKES. Yes; I tried to suggest that.

There is just one other point in regard to this bill. I really believe the gentlemen interested overestimate the value it would be to the growers to have this privilege granted of twisting.

Mr. GAINES. Only a little more liberty; that is all. That goes a long ways.

Mr. YERKES. Now, for instance, you take the tobacco produced in Kentucky and Tennessee, directly represented here. The record shows that at the present time of all this splendid tobacco produced in Kentucky and in Robertson and other counties in Tennessee—of all that tobacco, probably three-fourths, or maybe nine-tenths of it, is exported.

Mr. GAINES. Eighty per cent of it.

Mr. YERKES. Yes; 80 per cent is exported; so that if you gentlemen had the privilege of making up the remaining 20 per cent into hand twists, I do not believe it would benefit you as much as you suppose.

Now, passing from that, let me come to the proposition where I feel a remedy can be granted without a large reduction in revenue and still where, in my judgment, it would benefit you more than the privilege of making your tobacco up into twists. I am told frequently that the farmers have not the deftness and ability to make this twist. They can not keep at it continuously and can not get opportunity to become proficient in it.

Mr. GAINES. They would do so in barns—"rainy" and "off" days.

Mr. FLOOD, of Virginia. Is it not a fact that this tobacco that is shipped abroad, a great deal of it, could be made up into this twist and consumed at home? Is it not a fact that the foreign buyers have combined?

Mr. YERKES. Now, my dear sir, I know absolutely nothing about that. I believe if you had a reduced acreage of tobacco, and a less amount on the market, you would not have the same ease of combination, because everybody then would have to hustle for himself to get his share of the crop produced—

Mr. FLOOD, of Virginia. But the foreigners buy it up—

Mr. COOPER, of Texas. I want to ask some questions. You largely stated your objections to this bill, and went on to state your idea of a bill that would give relief.

Mr. YERKES. No; I was going on to discuss Mr. Gaines's bill.

The CHAIRMAN. Before you get on to that, I want to ask you this question: I understand a large proportion, 80 or 90 per cent, of this tobacco goes abroad.

Mr. YERKES. Yes.

The CHAIRMAN. That tobacco pays no tax at all?

Mr. YERKES. Absolutely none, in any way.

The CHAIRMAN. If it were possible, without infringing the Constitution, to impose a tax on that tobacco, would not that be a good source of revenue and a wise thing to do?

Mr. YERKES. The question comes, then, Mr. Chairman, as to whether the producer of tobacco would want any restriction placed upon the export of his tobacco. You know the theory in all internal-revenue laws is that no export tax shall be levied. But the United States Supreme Court has decided in certain cases that there can be a species of tax—

The CHAIRMAN. A stamp tax?

Mr. YERKES. Yes; for purposes of identification—a sort of police regulation.

The CHAIRMAN. Still it produces the result.

Mr. GAINES. The tobacco with that police stamp on it sold for more than it is selling at now, and it did not change its sale in the United States as to the amount. This the official reports from the Bureau of Statistics show.

Mr. YERKES. Now I am coming to this proposition—trying to reach the question of relief.

At the present day the farmer, as I said, can sell the tobacco of his own growth, or his tenant's growth, to anyone, but that purchaser, when he takes it, must sell it either to another retail dealer in leaf tobacco or a manufacturer of tobacco, or for export purposes, unless he is willing to pay a tax of 6 cents a pound on it. If he sells it to me, or to you, he must pay the tax of 6 cents. Now, can we not

extend to him the privilege of selling the tobacco in hand, in the natural condition, or perhaps even stemmed, to the individual consumer?

Mr. GAINES. That covers two of the provisions of my bill.

Mr. STANLEY. Do you mean to the exporter?

Mr. YERKES. Anyone. For instance, a farmer in your county, under the change proposed, will ship to a retail merchant in Arkansas 100 or 200 or 500 pounds of this tobacco, in the hand, in the natural state, or perhaps even stemmed. Then let that merchant sell it, without any tax upon it, to anybody on earth he chooses, except to a manufacturer of tobacco. That will be free trade in leaf tobacco in that way.

Mr. STANLEY. I have a bill to provide that alone.

Mr. GILBERT. What shape could he put it in after stemming it?

Mr. YERKES. He could put it in the hand. I do not know whether it is necessary to give the stemming privilege.

Mr. WASHINGTON. I do not think it would do any good.

Mr. YERKES. Just sell it in the natural condition, in the leaf, as any other article is sold, except at present I would like to have a limitation to prevent the second owner, the purchaser, from selling to a manufacturer. I am not sure whether that is necessary or not.

Mr. TAWNEY. You mean the second owner, not the second purchaser?

Mr. YERKES. Yes. It is a question of keeping our accounts with manufacturers of tobacco. Our only check upon them is our account with the leaf-tobacco dealer, and we check them one against the other.

Mr. GAINES. Then I understand you, Mr. Commissioner, that you approve of that section of my bill?

Mr. YERKES. I do not think that it would materially injure the revenue of the Government. I do not think it would materially affect the proper enforcement of the revenue law, and I believe it would give large relief to the tobacco grower.

Mr. GAINES. It would repeal a portion of section 69 of the act of 1894.

Mr. YERKES. It would cause us to go very carefully over the entire law as to tobacco. Three or four sections would have to be radically changed.

Mr. STANLEY. Do you not think we could repeal the provisions of the McKinley bill as to tobacco without material injury?

Mr. GAINES. Section 69 of the act of 1894——

Mr. YERKES. I believe you could grant relief along that avenue that would be of great benefit to the producer. What is your idea about that, Mr. Washington?

Mr. JOSEPH E. WASHINGTON (former Representative from Tennessee), I indorse that statement of yours, Mr. Yerkes.

Mr. YERKES. Now, as to the question which Mr. Tawney asked me the other day in regard to premiums offered by manufacturers to purchasers of cigars and cigarettes, etc., upon return to them of the sacks or pasteboard boxes or wooden boxes with a stamp showing payment of the tax still upon the package. That is a violation of the law. I have letters here indicating that we will proceed against any manufacturer who will do that. The statute is perfectly clear and plain. The statute is abundantly full upon that subject.

Mr. TAWNEY. I wanted to know if your attention had been called to that. The fact that I wanted to ascertain was, Whether or not the offer has heretofore been made?

Mr. YERKES. Yes, sir; the offer has been made, and they have been informed that it could not be carried out. I have the letters here.

Mr. COOPER, of Texas. Let them be put in the record.

Mr. YERKES. Yes, sir.

Reuse of emptied statutory tobacco or snuff packages.

[Held that any advertising scheme which anticipates and results in the return to the manufacturer of any emptied stamped package of tobacco or snuff would be in violation of section 3362 and 3376 of the Revised Statutes.]

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE.

Washington, D. C., May 12, 1902.

GENTLEMEN: This Office has received your letter, dated 29th ultimo, in which you present substantially the question whether it is permissible for a manufacturer to redeem emptied statutory packages of snuff after they have gone into the hands of consumers, the snuff being packed in paper packs, weasands, tin cans, glass bottles, tumblers, etc., and whether upon redeeming such emptied packages they could be reused for packing snuff, provided all evidence of previous use had been removed from the packages and entirely effaced.

In reply your attention is called to section 3363, Revised Statutes, which requires that the caution-notice label shall distinctly state that "the manufacturer of this tobacco has complied with all requirements of law. Every person is cautioned, under the penalties of law, not to use this package for tobacco again;" and also to section 3376, Revised Statutes, which imposes a penalty upon any person who sells or gives away, or who buys or accepts from another any emptied stamped box, bag, vessel, wrapper, or envelope of any kind, or the stamp or stamps taken from any such empty box, bag, vessel, wrapper, or envelope of any kind; and, further, that every manufacturer or other person who puts tobacco or snuff into any such box, bag, vessel, wrapper, or envelope, the same having been emptied or partially emptied, will be subject to a fine and to imprisonment. Therefore the Office decides that any advertising scheme which has for its purpose the return to the manufacturer of the stamped package would be in violation of law, and any emptied package found at the factory so branded, marked, labeled, or stamped as to show previous use would subject the manufacturer to the penalties prescribed by the statute.

Whenever any stamped box, bag, vessel, wrapper, or envelope of any kind containing tobacco or snuff is emptied, the statute requires that the stamp thereon shall be destroyed by the person who has possession of such emptied box, bag, vessel, or wrapper, and every person who willfully neglects to destroy the stamp will be subject to a fine of \$50 and imprisonment of not less than ten days nor more than six months, as provided by the statute.

Respectfully,

ROBT. WILLIAMS, Jr.,
Acting Commissioner.

STANDARD SNUFF COMPANY, *Nashville, Tenn.*

The CHAIRMAN. Now, here is Mr. Stanley's bill [submitting copy of bill, H. R. 9870, to Commissioner Yerkes].

Mr. YERKES. I would like to have this a day or two, to see if that privilege could safely be granted.

Mr. GAINES. The purchaser of tobacco will be allowed to sell through his agent, and not be obliged to deliver in person.

Mr. YERKES. I do not think that hurts you much.

Mr. GAINES. Oh, yes; it does. Here is a letter in a Texas case where a man wanted to "put a man on the road in a wagon to retail" his leaf tobacco, and the Department said the grower must do this "himself" and not by any agent. Here is a letter to that effect, and I would like to put it in the report.

The CHAIRMAN. Then give it to the reporter.

Mr. GAINES. Very well.

Leaf tobacco—Grower can only retail from place to place.

[Published for the information of collectors.]

TREASURY DEPARTMENT,
OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE,
P. B. HUNT, Esq., *Washington, D. C., November 16, 1897.*
Collector Fourth District, Dallas, Tex.

SIR: Mr. G. D. Powell, of Rosalie, Tex., has written to this office in regard to the sale of leaf tobacco which he raises on his farm, and states that he wishes to "put a man on the road" with a wagon to retail. He has been referred to you.

In reply you are informed that the only person who can travel from place to place retailing leaf tobacco, without liability under the internal-revenue laws, is the grower of the tobacco himself. He can not extend this privilege to other persons employed by him to act as agents for him in the sale of his leaf tobacco.

There is no objection under the internal-revenue laws and regulations to the farmer employing men either to travel and take orders by means of samples for leaf tobacco of his own growing, or to take such orders at fixed places of business, provided all these orders are sent to the farmer who ships the leaf tobacco for delivery to the persons ordering.

The law contemplates that the farmer or planter may himself sell leaf tobacco of his own growth and raising without any restrictions. He can sell it loose in the hand in any quantity and to any person, but this is a personal privilege which he can not delegate to anyone else. Leaf tobacco can not be sold for the farmer by a broker on commission or by an agent or employee without rendering such party liable as a dealer in leaf tobacco.

Respectfully, yours,

G. W. WILSON,
Acting Commissioner.

MR. TAWNEY. Mr. Chairman, suppose we submit the Stanley bill to the Commissioner now, and let him give us a written opinion later.

THE CHAIRMAN. I have done that. We will be glad to hear from you about it later, Mr. Commissioner.

MR. STANLEY. Gentlemen of the committee, I want now to introduce Mr. Flack, a manufacturer of tobacco, as well as a grower.

MR. FLACK. No; I am not a grower.

MR. STANLEY. But he is a manufacturer, and he knows more about tobacco than any other man in the United States.

THE CHAIRMAN. Mr. Flack, give your name, and place of residence, and business to the reporter.

MR. GAINES. Right there, Mr. Chairman, will you indulge me just a moment to make an inquiry? Mr. Washington is here, whom you know as well as I. He wants to be heard, and I wanted him to be heard. He is an experienced man. Will the committee indulge him in the afternoon, if the committee runs with Mr. Flack to 12 o'clock noon?

THE CHAIRMAN. I can not promise as to that.

MR. GAINES. Then, Mr. Flack, will you and Mr. Washington divide the time?

MR. FLACK. Yes.

STATEMENT OF MR. E. M. FLACK, OF HOPKINSVILLE, KY.

MR. FLACK. Mr. Chairman and gentlemen, my business is that of a tobacco broker. I am interested in the manufacture of tobacco, but my principal business is that of a tobacco broker. I suppose I have been called here to testify simply as a witness as to the condition existing in my country in the tobacco business, and in that part of Tennessee known as the "dark district," which my friend Mr. Washington represents. I can only speak with a partial degree of accuracy about

that district. I can not speak of others; but I know something about that.

In that territory we raise about 80,000 or 90,000 hogsheads of tobacco annually, making 140,000,000 pounds of dark tobacco. Eighty or eighty-five per cent of it is exported. The remainder, or the greater part that is not exported, is made into snuff, so that the amount that is manufactured is quite small as compared with the amount grown.

Mr. GAINES. Will you tell the chairman and gentlemen of the committee what the trouble is there, and what will cure it?

Mr. FLACK. That is the very thing we are after now. The people are suffering very much in that country. They are not getting enough to live on. At present the price of tobacco is lower than ever before. In fact it is about at a starvation point. In fact I take it that in all that territory—from Louisville to Nashville—for all that tobacco there they could not get more than $3\frac{1}{2}$ cents a pound. I question whether they would be able to get 3 cents a pound for it. That, in the main, is the case. In a few special localities it might be different. It is very trying on the people, and they are suffering very much. They want relief, and they think and believe, as I do, and as my friend Washington does, that if the Government tax is taken off of tobacco we would be enabled to realize a great deal more money.

Mr. GAINES. Taken off leaf tobacco in any person's hands?

Mr. FLACK. Either twist or leaf. That would help us. That is about the state of the case. That tobacco can be used, and is used, and would be much more freely used, in the West and in the Southwest than it is now if it could be sold cheaper—if the farmer could sell it in the hand, or the small dealer could put it into boxes and sell it.

Mr. STANLEY. Please explain to the committee, Mr. Flack, the new demand to be created for this tobacco, and where it would be.

Mr. FLACK. Yes; it would increase the demand throughout all the Southern country—in the cotton plantations and in the cotton gins and in the mining districts and, in fact, among all the poorer people. They never use any high-grade tobacco nor cigars to any great extent. The laboring classes, the poorer classes of people, do not smoke cigarettes, nor do they use snuff, except, possibly, the women [laughter]. But this would not come in contact or competition with snuff.

Mr. GAINES. Are you familiar with this bill of mine?

Mr. FLACK. Yes; I was favorably impressed with that clause of the bill allowing the selling without restriction in any shape.

Mr. GAINES. That is what the people want—free trade in leaf tobacco?

Mr. FLACK. Yes, sir. Now, the reason we believe it would enhance the value of our tobacco is because it is largely bought for export, and the exporters are buying it now at about their own prices.

Mr. HILL. There is no tax on it for export?

Mr. FLACK. No; there is no demand against it except for snuff.

Mr. FLOOD, of Virginia. Is there not a combination on the part of certain foreign governments to buy it?

Mr. FLACK. We think so.

Mr. FLOOD, of Virginia. Does not the same man buy for the Austrian and for the German Governments?

Mr. FLACK. No; I buy for the Austrian Government. I take a different class of tobacco, and pay very high for it.

Mr. GAINES. Mr. Yerkes and others are about agreed to give free trade in leaf tobacco. Here is another section about hand twist and hand stemmed.

Mr. FLACK. Yes; I am in favor of free trade, but a majority are against me on that. As I explained to Mr. Yerkes yesterday, we insist if we are allowed to sell that leaf tobacco throughout the West and South to the consumers direct, without the tax, to be able, possibly, to sell 18,000,000 to 20,000,000 pounds out of 80,000,000 pounds exported, that will create an active demand, and that will of necessity increase the value of the product. The farmer will get more for it. If the exporter will not give them 6 cents a pound, some one else will.

A BYSTANDER. There will be a competitor purchaser against the price?

Mr. FLACK. Yes, sir.

Mr. TAWNEY. Now, what do these people in the West and Southwest consume in the way of tobacco which you think this would displace?

Mr. FLACK. Well, a small quantity of the tobacco that is manufactured in our country they take, generally; but they take a great deal of tobacco made by the larger manufacturers, principally by the Continental Tobacco Company. That tobacco costs about 40 cents. This tobacco costs about 12 cents. The people down there chew it and smoke it, and really prefer the natural-leaf tobacco. They would buy three or four times as much, and the consumption would be much greater than the loss would be on the tobacco that is manufactured now, because it would be much more abundant. As Mr. Yerkes said a while ago, it is both chewing and smoking. Nobody can smoke manufactured plug tobacco—tobacco that is manufactured for chewing. Nobody can chew manufactured tobacco that is manufactured for smoking. If a man will experiment on it he will see that that is so. [Laughter.]

Mr. YERKES. But the home twist can be both chewed and smoked?

Mr. FLACK. Oh, yes. There is no adulteration about it.

Mr. GAINES. What is put into the manufacture of twist?

Mr. FLACK. Glucose, and licorice, and salt, and molasses, and sugar—depending on what the color is that you want. You can make a muck of it, if you want. [Laughter.]

Mr. WASHINGTON. That is plain twist with no sugar or alcohol on it [holding up a specimen].

Mr. FLACK. Oh, of course, if you treat it and put it in warm water you can make a cigar from it; that is, the natural leaf. But you can not make a cigar out of manufactured tobacco.

We honestly believe if we were allowed to sell this natural tobacco down there that the consumption would be three times as much as it is now.

Mr. STANLEY. Mr. Flack, I wish you would state about the additional cost that comes in from the sacks.

Mr. FLACK. The price is about 6 cents a pound, and it costs about 4 cents a pound for the sacks, making about 10 cents a pound on smoking tobacco.

STATEMENT OF MR. JOSEPH E. WASHINGTON, FORMER REPRESENTATIVE FROM TENNESSEE.

Mr. WASHINGTON. I will not take up much of your time, gentlemen, but I want to speak from the standpoint of a tobacco grower, representing Robertson County. I brought these samples here to show what homespun tobacco is [exhibiting specimens]. That is a hand-twist product [indicating], made from that natural leaf [indicating], with the stems first pulled out. The leaves are then taken, after they are stemmed and twisted, and that leaves the sides of the leaves. Those are put together and twisted into this shape [indicating], and then they are ready for consumption—in a crude way, of course—and to be used only by people who can stand a very strong tobacco.

If we could have all that we would like in this matter we would ask for free trade in all this tobacco; not that we want to deprive the Government of any revenue, but we know if we should get that privilege we would perhaps deprive it of a considerable amount of revenue. But we want an opening for our surplus tobacco, so to speak.

The amount of tobacco produced annually has largely increased in the last few years, perhaps more than the population and consumption, but not to such an extent as alone would warrant the present condition in this tobacco business in our territory. I speak of the region in southern Kentucky and northern Tennessee. In that dark-tobacco district I think we are suffering more than in any other section, for the reason that in other sections they produce a tobacco that is more largely purchased for the home manufacturers in making plug tobacco and cigars.

→ About 80 per cent of our tobacco goes abroad. Up to within the last three years we had a good deal of competition in the sale of our tobacco. But there are five countries now in Europe where they get a revenue, which they call the rigi, from a monopoly of tobacco by the Crown. Those Governments, through their agents, buy up the tobacco in this country, and it is then taken to France, and Spain, and Austria, and Italy, and Germany, and there resold by those Governments. I am not familiar with the exact amount of revenue which they derive from that per pound, but I should say it is anywhere from 50 to 75 cents a pound.

Mr. FLOOD, of Virginia. In France the manufacturers sell the manufactured products.

Mr. SWANSON, of Virginia. No; in France, you can not buy a cigar except at a Government store. The same is also the case in Spain.

Mr. WASHINGTON. Seventy-five or 80 per cent of our tobacco goes into those foreign countries. The balance we must make use of at home. Here is the way the combination has worked: Within the last three years the rigi have allowed their contracts to fall into the hands of two syndicates, who agree to furnish this tobacco, and agree, in advance, before it is planted, to have it furnished at an average, say, of 8 cents a pound.

They send their agents right into the country and come to the farmer's barn and divide a county into sections or strips and take an agent and allot to him 3,000,000 or 5,000,000 pounds in orders. The combination owns the American and the Continental companies.

They crushed out the smaller manufacturers who used to go into our county at Clarksville and Hopkinsville. Now the American Tobacco Company, for instance, will have one agent in the county.

The American Tobacco Company has gone further and forced the manufacturers of Great Britain, under the name of the Imperial Tobacco Company, to enter into their combination with them.

Formerly the English market was a good one, and we had some of their buyers in our county who bought for the English concerns. Now, if the American company has an agent in our county, the Imperial company does not send an agent there. We are absolutely at the mercy of this combine. They price our tobacco in the barn, and, to a certain extent, in the field, before it is planted, and if we do not take what they offer we have no place else to go.

We are now content to modify our demands, because of the probable interference with the revenue, but we ask Congress to give us the right to have free trade in leaf. I do not find fault with the restrictions imposed by the Internal-Revenue Office in regard to the revenue from this tobacco. But let the farmer have the right to put his tobacco in any size package he pleases and ship it anywhere he pleases and sell it to the merchants, and let the merchants put it into use without paying any tax. In that way, I believe, we may open up a market anywhere from 5,000,000 to 20,000,000 pounds in the Clarksville district. We raise from 80,000,000 to 90,000,000 pounds.

Of course, I readily admit that if we put 10,000,000 pounds the first year into consumption we would displace nearly an equivalent amount of manufactured tobacco and the Government would lose that revenue. But the Government could afford to lose that revenue if the measure enacted afforded relief to this "dark district," and you could also give it to North Carolina and Virginia.

Mr. FLOOD, of Virginia. In the counties I represent in Virginia the tobacco products are sold almost entirely to Austria and Italy. These concerns now have one instead of several men to buy for them. Tobacco has gone down to 4 cents.

Mr. COOPER, of Texas. You think if you had free trade you would increase the market for the producer and reduce the price to the consumer and not lose any great amount of revenue to the Government?

Mr. WASHINGTON. Oh, it would be a reduction of revenue.

Mr. RHEA. The system in vogue is the same in your territory as mine. We live close together there.

Mr. WASHINGTON. Yes; just across the line.

Mr. RHEA. You may be restricted to sell only to an agent who buys at Springville, and the farmers right around me may be restricted to sell to the agent at Russellville, Ky.—that is, if my farm is 3 miles from Russellville I can not sell in Amherst, but am restricted to an absolute sale at Russellville.

Mr. WASHINGTON. I think you are quite correct. The buyer is ordered, of course, by his employer to buy the tobacco at an average price stated. He may say 6 or 7 cents a pound, and he is given his own territory, and another buyer is given his particular territory in the same way. They will not cross the line. They are agents of the same man.

Mr. TAWNEY. That branch of the question has been gone over very fully. The principal thing I would like to know is the extent to which that would enlarge the domestic market for the sale of your tobacco.

Mr. WASHINGTON. I do not believe it would come with a great bound. I believe we would have to build up that trade.

Mr. SWANSON, of Virginia. Do you not think the revenue would not be as much as was anticipated, from the fact that if the farmers had

this privilege of shipping to the merchants and others the manufacturers would come and buy it from them, and buy it at a better price, rather than allow them to exercise that privilege? Consequently, if they did not give you a reasonable price you could exercise the privilege, so that the Government would not lose as much revenue as would be expected on account of the fact that the farmer would have that privilege.

Mr. WASHINGTON. I believe, too, that the market would not be so great, but the relief would be considerable and it would enhance the price of the tobacco in the hands of the planter where he availed of the privilege of shipping it into Louisiana or the Southwest, and the fact that he had that privilege and that outlet for his overflow product would enable him to get a higher price.

Mr. SWANSON, of Virginia. If the manufacturer would come to you and try to buy at \$3 a hundred you would say, "I will not take \$3; I will sell if you will pay me \$7 or \$8, and unless you do that I will sell to the consumer direct;" and that would induce the manufacturer to give you a reasonable price, would it not?

Mr. STANLEY. That would be true of the twist, too.

Mr. HILL. I think it would not be true of either of them. The trust would control it all, just as it does now.

Mr. GILBERT, of Kentucky. Is not anybody here from the White Burley region?

Mr. HILL. You can not do it this year alone.

Mr. WASHINGTON. No: you must do it every year. There are men in my county now who have been complying with the revenue law, and manage at the same time to get a fair price. We believe at present that is the only thing to give us relief in the price for our tobacco, and the Government would not lose a great amount of revenue. If there are any other questions, I would be glad to answer them.

The CHAIRMAN. Are there any questions?

Mr. STANLEY. Is it not true that for the last five or six or seven years the production of dark tobacco has not kept pace in this country at all with the increase of the production of wheat, corn, beef, or pork, and yet those articles are produced all over the world, while this tobacco is almost entirely the product of America?

Mr. WASHINGTON. Yes. While I conceded that the production of tobacco has increased, I did not think it had very largely outstripped the increase in consumption. I think the trouble with us, as regards the price, has been the result of combinations between buyers and manufacturers—those who have to take the tobacco off our hands.

Mr. TAWNEY. Rather than the revenue laws?

Mr. WASHINGTON. I do not think 12 cents a pound of tax would affect the price to the producer.

Mr. STANLEY. The revenue laws simply produce a condition.

Mr. WASHINGTON. As to an export tax, the courts have decided that the stamping of tobacco is a police provision. We could not for a moment attempt to place an imposition of export tax on tobacco.

The CHAIRMAN. We are much obliged to you, Mr. Washington.

Mr. GAINES. If you will give the growers free trade, as the first section of this bill of mine provides, and give them the right to deal through agents—

Mr. STANLEY. And also the bill of Mr. Stanley—

Mr. GAINES. Any bill. I do not care anything about the Gaines bill or Bill Jones's bill or anybody's bill. If you will let the farmer

deal through his agent—a right he has not now—and give him free trade in leaf tobacco they will be greatly aided. They will be glad to get even that.

The CHAIRMAN. We understand that, Mr. Gaines.

Mr. GAINES. If you will let any person deal thus without tax or license that will give him freedom of action, and if you will let a man sell his growing crop in his field without restriction that will restore the liberty and right of the grower. Free trade and the law of agents restored is what they will now compromise on, though they want to hand twist.

Mr. FLACK. I think perhaps, in my hurry, I said I was the buyer for the Austrian Government. I am the buyer for the agent of the Austrian Government.

The CHAIRMAN. The time for concluding the hearing has arrived.

Thereupon, at 12 o'clock noon, the hearing was concluded, and the subcommittee went into executive session.

APPENDIX.

Memorandum submitted by Mr. Gaines. (See p. 47.)

This second paragraph (sec. 69, act Aug. 28, 1894) excepts the grower, with his growth of tobacco, but it burdens the tobacco he grows and his purchaser who sells to consumers, and hence taxes the grower indirectly at least.

The law (as thus construed) says "changing the tobacco from its natural condition" is manufacturing; the article so changed is manufactured, and "every person is regarded as a manufacturer" who makes this change "in any manner" (except the change wrought by the usual way of curing).

So the farmers can not change the natural condition of his own growth of tobacco, except for his own personal use, without becoming a manufacturer and subject to a tax of 6 cents per pound. The grower can not twist or stem or change his leaf tobacco in any manner for sale or gift without paying this tax.

Under the second paragraph of section 69 Commissioner Yerkes says "every person" (except growers with their own growth and raising) "is regarded as a manufacturer of tobacco who sells and delivers leaf tobacco in its natural condition to—

"1. Consumers.

"2. Or to persons other than (a) registered dealers in leaf tobacco, (b) manufacturers of tobacco or cigars, or (c) persons who buy leaf tobacco in packages for export.

"3. And all leaf tobacco sold by such person is regarded as manufactured tobacco, (d) subject to tax."

So that under this law "every person" (except the grower, as stated) who sells leaf tobacco is "subject to a tax," unless it is sold to three classes of buyers, to wit:

1. Registered dealers in leaf.

2. Manufacturers of tobacco or cigars.

3. Exporters of leaf tobacco in packages.

If the grower employs a commission agent, that agent must sell to those three and no more, while the grower can sell to anyone and everyone. The law of agency is thus restricted and hardships follow.

APPEAL TO CONGRESS BY THE TOBACCO GROWERS OF TENNESSEE.

CEDAR HILL, TENN., February 22, 1904.

Hon. JNO. W. GAINES, M. C.,
Washington, D. C.

SIR: The Association of Tobacco Raisers of Robertson County, Tenn., in convention assembled, at the court-house in Springfield, February 20, 1904, adopted the inclosed resolutions, which we kindly ask you, as our Representative in Congress, to present to that honorable body and to the subcommittee of the Ways and Means

Committee of the House which has under consideration all bills for the relief of the tobacco growers. We wish to be conservative in our demands and do not wish or desire to deplete the revenues, but we do wish simply that relief which free trade in leaf tobacco would give us and that competition which the selling of our tobacco would bring us, when the war tax of 6 cents per pound is repealed. Hence we do not ask to stem and twist our tobacco, but simply that leaf tobacco may be, by all persons, bought and sold without the payment of any tax whatever. And this we will ever pray will be granted, as this will open up a market for us in the Gulf and the great Western States in competition with the combines of the tobacco trusts of both Europe and America.

Whereas the tobacco growers in the Clarksville tobacco district are in the hands and practically under the control of the tobacco trusts and combines, and with the existing laws and surroundings are utterly helpless, and the tobacco crop is now largely in the hands of the planter and he is unable to sell except to the trusts and combines at ruinously low prices, and said trusts and combines have succeeded in driving competition out of the field, and no one is in position to buy the tobacco except the trusts and combines; therefore,

Be it resolved by the farmers of Robertson County assembled, That we appeal to the Congress of the United States for relief, and ask that the tax be taken off of leaf tobacco so as to give absolute free trade in leaf tobacco, and we insist that this be done in order to open up new markets and furnish new buyers for the tobacco growers of the Clarksville tobacco district. And owing to the urgency of the situation we ask that this relief be given at once.

CHAS. H. FORT, *President.*
JNO. M. FOSTER, *Secretary.*

FEBRUARY 28, 1903.

E. C. LOVE, Esq., *Alone, Ky.^a*

SIR: In reply to your letter, dated 25th instant, you are advised that a farmer or grower of tobacco may sell leaf tobacco of his own growth and raising, and that received from tenants as rent, without restriction as to the quantity sold, the place of sale, or the business of the person who buys the tobacco.

This privilege that a farmer has of selling his tobacco without restriction is a personal one which he can not delegate to another person, except that he may place his tobacco in the hands of a registered dealer in leaf tobacco who may sell the same to other registered dealers in leaf tobacco or to manufacturers of tobacco or cigars or to persons who buy leaf tobacco in packages for export exclusively.

A farmer is not privileged to stem, twist, roll, plait, sweeten, or otherwise change his tobacco from the condition in which it was cured on the farm, for the purpose of selling the same to consumers, as all tobacco so manipulated is regarded as manufactured tobacco and subject to tax of 6 cents per pound, and must be put up by the person who buys or who receives it from the farmer, or put up in packages by the farmer himself, if it is so changed or manipulated, if intended for sale to consumers in packages containing 10, 20, 40, or 50 pounds of tobacco properly labeled and stamped as provided by regulations No. 8, pages 5 and 6, a copy of which is inclosed to your address, under a separate cover, for your information.

Respectfully,

Commissioner.

Petition favoring Trimble bill (H. R. 3574).

[Filed by Mr. Gnias. See p. 47.]

To the Senate and House of Representatives of the United States of America:

Whereas the majority of the tobacco manufacturers of the United States have been merged into a monster combination popularly known as the tobacco trust;

Whereas by reason of said consolidation competition has been destroyed and the trust arbitrarily fixes the value of leaf tobacco at a price which is impoverishing the farmers and growers;

^a This is a copy of a letter (issued by the Commissioner of Internal Revenue to Mr. Love) sent to Mr. Gaines by error.—YERKES.

Whereas Hon. South Trimble, of the Seventh Kentucky district, has offered in Congress, H. R. 3574, "A bill for the relief of farmers and tobacco growers of the United States," which provides that the farmer and grower of tobacco shall have the right to sell tobacco in the raw and unadulterated state, of their own growth, free from tax;

Whereas we believe that if such bill becomes a law it will insure just and equitable prices to both grower and consumer:

Therefore we, the undersigned citizens of _____ County, State of _____, most respectfully urge the passage of said bill.

[The above petition was signed by 729 citizens of Caldwell County, Ky., and 95 citizens of Trigg County, Ky.].

Another petition filed by Mr. Gaines. (See p. 47.)

We, the undersigned farmers and merchants, dealers in and growers of tobacco, being citizens of Caldwell County, Ky., realizing that we are dependent upon the growth and cultivation of tobacco for the support of our families, and tobacco is now and has for several years been selling below the cost of production, the result of which has caused distress and poverty to stalk broadcast over the entire tobacco district.

We believe the internal-revenue tax of 6 cents per hundred to be unwarranted and is an unjust discrimination against this particular product, inasmuch as no other agricultural product bears similar tax.

And furthermore we believe the said tax enables the trust to control and dictate the price of leaf tobacco.

Therefore we earnestly petition and pray the Congress of the United States to so amend the internal-revenue laws as to permit any person (farmer, merchant, and dealer) to sell leaf tobacco in any quantity to consumers free of any tax whatever.

[The above was signed by 24 citizens.]

Bills under consideration.

[By Mr. Gaines. H. R. 4482.]

A BILL For the relief of tobacco growers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be lawful for any person to buy and sell tobacco unstemmed and in the leaf without license or the payment of any tax of any kind.

SEC. 2. That it shall be lawful for any grower of tobacco to sell his own product, or to deliver to another person any tobacco grown by himself to be by such person carried to market and sold for the benefit of the grower, any tobacco grown by such planter, in the hand or in the leaf, or stemmed, or stemmed and hand twisted, or stemmed and hand pressed, or hand twisted, or hand pressed, without license and without the payment of any tax of any kind: *Provided*, That such planter shall furnish to the person by whom he sends it to market or offers it for sale a written authorization for that particular transaction, specifying the number of pounds.

[By Mr. Stanley. H. R. 9870.]

A BILL For the relief of farmers and tobacco growers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That farmers and growers of tobacco shall hereafter have the right to sell in the raw and unadulterated state all tobacco of their own growth or cultivated upon their own lands, or to hand-stem and twist the same or manufacture it into any form desired; and the same shall, when sold by the producer thereof, be exempted from any tax or charge of any kind whatsoever or other statutory regulation on the part of the United States.

SEC. 2. That the tobacco mentioned herein, when hand-stemmed and twisted in the form of long green or what is known as Lincoln twist, namely, when the natural leaf is hand-stemmed and made into a twist, without other change or process of manufacture, that this tobacco thus manufactured by the person or producing the same shall be exempt from any tax or license whatsoever, not only in the hands of the farmer or producer, but shall thereafter be liable to no tax or license whatsoever in the hands of subsequent purchasers, so long as it remains in the form of said twist and without further process of manufacture.

SEC. 3. That all statutes in conflict herewith are hereby repealed.

[By Mr. Stanley. H. R. 10857.]

A BILL For the relief of farmers, merchants, and other dealers in leaf tobacco

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That tobacco in the natural leaf that is in an unstemmed condition and not manufactured or altered in any manner so as to change the condition in which it is put upon the market by the producer, when in the natural leaf, as before described, this tobacco shall not be subject to any internal-revenue tax, charge, or regulation of any kind whatsoever on the part of the Government of the United States.

SEC. 2. That all statutes imposing any tax of any kind whatsoever on tobacco in the natural leaf or in conflict with any provision of this bill are hereby repealed.

[By Mr. Trimble. H. R. 3574.]

A BILL For the relief of the farmers and tobacco growers of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That farmers and growers of tobacco shall hereafter have the right to sell tobacco in the raw or unadulterated, of their own growth, in any quantity, either in the leaf, twist, or such other form as they may wish, free from any tax or charge, or being in any manner subject to any statutory regulation on the part of the Government of the United States. All statutes in conflict herewith are hereby repealed.

[By Mr. Hopkins. H. R. 1971.]

A BILL To allow the growers of leaf tobacco to stem, twist, and sell the same without paying tax.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be lawful for the growers of leaf tobacco to stem, twist, and sell their own product without the payment of the tax now required of manufacturers of the same under existing laws.

LBJL '08



26

26









LIBRARY OF CONGRESS



0 018 695 146 3